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Innovation is productivity key
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Telecoms deal maker with connections
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World Business Newspaper http://www.FT.com THURSDAY NOVEMBER 7 1996

Airbus wins order from US carrier for up to 400 aircraft

European manufacturing consortium Airbus Industrie announced its biggest order – for up to 400 aircraft from USAir. Airbus said the US carrier had placed 120 firm orders for A319, A320 and A321 aircraft. These have a total list price of about $5.3bn, although USAir is likely to have obtained substantial discounts. USAir placed an order for an additional 120 aircraft on a reconfirmable basis and arranged options on a further 160. Page 17

Brittan seeks to end Cuba row: European Union trade commissioner Sir Leon Brittan (left) will today urge the EU and US to settle their dispute over trade with Cuba. He will stress that the EU opposes to the Helms-Burton act, which authorises private US court cases against foreign companies "trafficking" in confiscated Cuban assets, but will also endorse proposals for international co-operation to speed political reforms on the island. Page 10

Yeltsin resumes control: Russian president Boris Yeltsin resumed full control over the country less than 24 hours after his quintuple heart bypass operation. Page 2

Major backs Emu timetable: UK prime minister John Major will tell French president Jacques Chirac that European monetary union will fail if political pressures to meet the planned 1999 start date lead to loosening of the convergence criteria. Page 16; Spanish and Italian bonds show surge, Page 3

Siemens predicts no earnings growth: German electronics group Siemens reported a 20 per cent increase in annual net profits to DM2.49bn ($1.6bn), but said it expected no net earnings growth in the current financial year, partly because of the weak domestic economy. Page 17; Lex, Page 16

Bonn sets deadline for cuts: The parties in Chancellor Helmut Kohl's coalition government set Monday as a deadline to achieve DM3bn ($2bn) in savings to ensure that the 1997 federal budget deficit does not exceed the planned DM56.5bn. Page 2

S.T. Dupont seeks Paris listing: Hong Kong-based luxury retailer Dickson Concepts announced plans to list its S.T. Dupont subsidiary on the Paris stock market to raise funds for expansion. Page 17

Lockerbie relatives consider offer: Relatives of British victims of the 1988 Lockerbie air disaster seeking compensation from the former Pan Am airline are considering an offer believed to be about £500,000 ($815,000) each.

Monarchy/Regency takes Puma stake: Monarchy/Regency Enterprises, the US independent film production and distribution company, took a 12.5 per cent stake, valued at $70-$80m, in Puma, the German sportswear company planning a comeback in the US market. Page 17

Bhutto to fight dismissal: Ousted Pakistan prime minister Benazir Bhutto vowed to fight her dismissal in the courts and launched a personal attack on President Farooq Leghari, who dissolved her government. Page 6

Dominion plans UK bid: US energy group Dominion Resources said it was considering a bid of almost £1.2bn ($1.95bn) for UK electricity company East Midlands Electricity. Page 17; Lex, Page 16

Indefinite bail for Rao: Former Indian prime minister P.V. Narasimha Rao was granted indefinite bail by a judge in Delhi after pleading not guilty to criminal conspiracy in a 1983 cheating case. Rao has also been charged in two other cases.

Korean minister quits: South Korean foreign minister Gong Ro-myung resigned amid reports that he had been drafted into the North Korean army during the Korean war before defecting to the South. Page 8

Sri Lanka to legalise gambling: Sri Lanka plans to legalise gambling as part of revenue-raising measures to meet rising defence costs and a worsening budget deficit. Page 6

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,147.15	(+65.97)
NASDAQ Composite	1,249.33	(+11.26)
Europe and Far East		
CAC40	2,213.37	(+26.05)
DAX	2,729.19	(+37.9)
FTSE 100	3,935.7	(+14.6)
Nikkei	20,981.52	(+399.19)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.134%
Long Bond	102½
Yield	6.585%

■ OTHER RATES

UK: 3-mo Interbank	6⅜%	(6¼%)
UK: 10 yr Gilt	99½	(99¼)
France: 10 yr OAT	104.61	(104.44)
Germany: 10 yr Bund	102.36	(102.23)
Japan: 10 yr JGB	103.857	(104.1622)

■ NORTH SEA OIL (Argus)

Brent Dated	$21.885	(21.85)

■ GOLD

New York: Comex		
(Dec)	$378.7	(379.6)
London:		
close	$377.95	(379.35)

■ DOLLAR

New York: lunchtime		
£	1.64185	
DM	1.51855	
FFr	5.1295	
SFr	1.277	
Y	113.95	
London:		
£	1.6417	(1.6458)
DM	1.5164	(1.5168)
FFr	5.122	(5.1256)
SFr	1.2765	(1.2757)
Y	113.805	(114.05)
Tokyo close:	Y 113.95	

■ STERLING

DM	2.4894	(2.4962)

Albania	LEK 275	Gibraltar	90.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kr70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)		Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500		Es265	UAE	Dh13.00

Hint of Republican appointment in effort to foster bipartisan spirit

Clinton left with rebuilding task as three quit cabinet

By Jurek Martin in Washington

A series of resignations, including those of three senior cabinet members, left President Bill Clinton yesterday with the task of putting together a new administration team after his convincing re-election victory.

Mr Warren Christopher, the secretary of state, Mr William Perry, the defence secretary, and Mr Mickey Kantor, the commerce secretary, announced their intentions to go but left open the timing of their departures.

Others inclnded Mr Leon Panetta, the White House chief of staff, who confirmed that he wanted to return to his native California, and Ms Hazel O'Leary, the much-criticised energy secretary.

Mr George Stephanopoulos, as close to Mr Clinton as any adviser, hinted that the president could well pick a prominent Republican for one of the positions in the interest of promoting a bipartisan spirit.

Republican leaders in Congress, satisfied thet they had retained control of both houses, promised co-operation with the president. They gained at least one Senate seat, with the outcome in Oregon waiting on absentee ballots, and lost only about 10 in the House, with two Texas districts subject to run-offs next month and a few others yet to be called.

Mr Newt Gingrich, the Speaker of the House, and Mr Dick Armey, its majority leader, said they would work

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closely with the Clinton administration, beginning with restoring financial solvency to the Medicare programme for the aged. "We're not that far apart," the normally combative Mr Armey said.

The financial markets welcomed the return of a president from one party and a Congress run by the other. The Dow Jones Industrial Average was up over 60 points shortly after midday, while long-term bond prices held steady to yield about 6.58 per cent, a seven-month interest-rate low.

However, public dissatisfaction with the political process was reflected in the level of voter turnout. Informal estimates put it at just under 50 per cent, at least 5 points down on 1992 and close to this centu-ry'e low of 1924.

In California, voter participation apparently dropped below 40 per cent – in spite of some hotly contested state ballot propositions. They included an initiative designed to make it easier for shareholders to file lawsuits against companies, which was rejected overwhelmingly – much to the relief of the computer industry. A ban on affirmative action, and a proposition legalising marijuana for medical use, passed easily.

There was some doubt whether Mr Clinton would achieve the 50 per cent of the popular vote he considered a mandate for a second term. With 98 per cent counted, he was fractionally below at 49.5 per cent, compared with about

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US secretary of state Warren Christopher, above, one of three senior administration members who are to quit Picture: Reuter

Germany 'trails UK and Japan' in quality of car parts

By Peter Marsh

The quality of German-made car parts lags behind that of products made in Japan, the US and Britain, according to a study by McKinsey, the US management consultants.

The findings, based on more than three years of research and involving 167 car component suppliers around the world, say that only 26 per cent of German suppliers operate at "above average" quality levels. More than two-thirds of UK suppliers, 44 per cent of US suppliers and 85 per cent of Japanese suppliers won this endorsement.

Top management in the UK car components indnstry "has . . . devoted itself intensely to quality, more so than that of any other country in Europe", says the report.

The research is based on a formula, devised by McKinsey, which assesses quality on the basis of conventional criteria such as the number of defective components and on what is termed a company's "process quality".

This is defined as its performance in solving customer problems in an intelligent and flexible manner, often using the skills of shop-floor workers rather than senior executives.

The study, which originated in McKinsey's German office and has been circulated to US motor component manufacturers, flies in the face of current thinking. It had been assumed that UK parts companies were still some way behind German quality levels.

According to McKinsey, the driving force behind the change in Britain has been the influence of tha car plants set up by Japanese groups. They bave made "npping quality levels . . . a matter of survival for British suppliers", says the report. German companies, in contrast, have lacked this stimulus. The report says their "catch-up effort will need to begin with a drastic reduction

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Car registrations, Page 11

Bankers and Brussels divided over Emu

By Andrew Fisher in Frankfurt and Gillian Tett in London

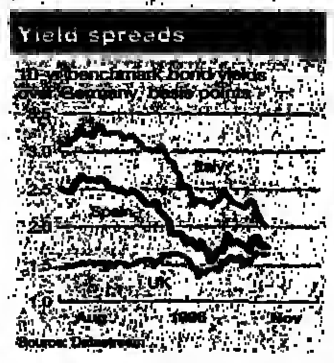
European countries have been too slow in bringing down their budget deficits and debt levels ahead of monetary union, the European Monetary Institute, forerunner of the planned European central bank, said yesterday.

But in a move which highlighted the tensions between European politicians and central bankers about interpretation of the Emn convergence criteria, tha European Commission yesterday issued its own, more optimistic report.

The EMI also indicated its disapproval of proposed policies by France and Italy to cut their budget deficits – but named neither country.

"A majority of member states do not fulfil the necessary conditions for the adop-

Yield spreads



Source: Datastream

tion of a single currency," the EMI declared.

But the Commission forecast that only three countries – the UK, Greece and Italy – would fail to cut their budget deficit to the target of 3 per cent of gross domestic product in 1997.

The European single currancy, or euro, is due

Prime minister John Major of the UK will tell President Jacques Chirac today that European monetary union will not succeed if political pressures to meet the planned 1999 launch date lead to any loosening of the strict convergence criteria. Report, Page 16

to be introduced in 1999.

The EMI said: "Improvement of the deficit by measures with a one-off effect does not ensure sustainable consolidation . . . Great attention will have to be paid to the substance and not only to the accounting methods used in measuring both deficits and debts."

These comments are likely to fuel controversy about the Commission's decision last week to allow France to use FFr37.5bn ($7.36bn) from state-owned France Télécom to improve its 1997 budget. The move annoyed Germany's Bundesbank.

The Commission report – which included the France Télécom payments in its calculations – forecast that 12 out of 15 EU countries would meet the deficit target next year.

Mr Yves Thibault de Silguy, commissioner in charge of monetary union, who presented the report, said: "For the majority of member states the biggest part of budgetary consolidation has been put on the road in a credible manner."

While Brussels cast doubt on whether the UK, Greece and Italy would meet the Emu deficit target in 1997, it suggested Italy might do so if special bndget measures were approved by the Commission.

The deficit forecasts are considered optimistic by most economists. However, the Italian and Spanish government bonds were sharply higher yesterday morning on hopes that both countries could become founder members of Emu.

Brussels upbeat ou deficit, Page 3; Euro payment plan, Page 11; Editorial Comment, Page 15; Lex, Page 16; Bonds, Page 26

Hoechst plans split into six independent units

By Jenny Luesby in Frankfurt

Hoechst, the world's largest chemicals company, is to turn itself into a management holding group and split its businesses into independent units. Some of the six units may quoted eeparately and the group is seeking partners for three.

The overhaul, to be accompanied by a listing in the US, is one of the most significant attempts by a German company to improve shareholder value.

"We will become more transparent and increase the group's value," said Mr Jürgen Dormann, chairman.

Hoechst plans to turn itself into joint stock companies of pharmaceuticale, animal health, polyester, basic chemicals, speciality chemicals, and technical polymers units by the end of next year.

Each division will be run independently and prodnce financial figures under US accounting standards. At least one of the new companies, the pharmacenticals operation Hoechst Marion Roussel, had already been flagged for a stock market flotation.

The group said yesterday that some of the other uew businesses would also be seeking listings.

Hoechst had been preparing for an overhaul for some time, however yesterday'e announcement exceeded expectations.

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Shares in the company rose DM2.53, or 4.34 per cent, to DM60.87 ($40.30).

The six companies will be overseen by a single management board, devoted to strategic considerations and portfolio management.

Mr Klaus-Jurgen Schmeider, finance director, said the structure would ensure a stream of acquisitions and disposals, as the group's portfolio was managed according to rigorous performance criteria.

Hoechst had been considering launching its pharmaceuticals operation as an independent unit in the US. However, differing accounting standards would have forced it to increase the valuation of its German assets substantially, triggering tax charges.

It has now decided to subsume its American pharmaceuticals operation into a German group, avoiding capital gains tax.

The group also announced that it was seeking a New York listing. This would see around DM1bn, which had been treated as goodwill on the acquisition of Marion Merrill Dow, offset as operational expenses. It would have few other accounting implications, the group said.

Hoechst also unveiled pretax profits up 32 per cent at DM4.1bn for the first nine months of the year, slightly above expectations.

Underlying operating profit rose by four per cent and pretax profit by 1 per cent, the company said.

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Milosevic leads retreat to communism

The Serb president is discarding his nationalist colours in a calculated alliance with Marxist-Leninists, writes Laura Silber

Serbian President Slobodan Milosevic, shunning his Socialist party, celebrated the results of Yugoslavia's elections in the headquarters of the communist party led by his wife Mrs Mirjana Markovic.

Sunday's elections for the federal assembly of Serb-led Yugoslavia, now solely composed of Serbia and its junior partner, the small republic of Montenegro, crowned the arrival at centre-stage of Mrs Markovic's Yugoslav United Left, or Jul, the Socialists' partner in a victorious leftwing coalition.

They also heralded the demise of Serbia's ruling Socialists. Fearing for their political future, disgruntled Socialists privately complain of Serbia's return to communism and of the "undue influence of Mrs Markovic and Jul", as one put it.

A mixture of grey bureaucrats, wealthy managers of bankrupt state enterprises and war profiteers, Jul bombarded Yugoslavia's 7.5m voters with slickly packaged election campaign messages. Its slogan "Jul is cool" was aimed at younger voters, while its promises of a radiant economic future were aimed at those suffering nostalgia for Yugoslavia's late communist godfather Marshal Josip Broz Tito and the stability of the state he engineered after the second world war.

In Sunday's elections, the coalition of communists and socialists won 64 of the 108 seats reserved for Serbia in the lower chamber of Yugoslavia's federal assembly. The Socialists' sister party in Montenegro won 20 of the republic's 30 seats.

At the local and municipal level, however, the opposition four-party coalition known as Zajedno (Together) made significant gains.

Observers put this split in voter loyalties down to the opposition's inability to compete against the left's monopoly control of the national broadcast media, as well as a failure by the opposition to offer a coherent vision of the country's future.

The rise of Jul began in 1993 when Mr Milosevic abandoned his nationalist agenda to create a greater Serb state after the Serbs in Bosnia disregarded his recommendation that they accept a peace plan drafted by the United Nations and the European Union to end the republic's civil war.

Last December, he completed his political metamorphosis, the second in the lifetime of a man who began his career as a colourless communist official, and sacked his closest collaborators in the Socialist party. This is being seen as an effort to remove any trace of his culpability for the wars in Croatia and Bosnia.

Jul, which was nurtured from infancy by Mrs Markovic, a professor of Marxism-Leninism, offered an alternative power base for personal disciples who had been band-picked by Mr Milosevic and who during the war had remained on the political margins.

The Socialists can read the writing on the wall. "Jul will take over everything," grumbled one bureaucrat, bracing himself for future purges of men tarnished with having been too ardent in their support for Serbian nationalism.

Speaking on condition of anonymity, he said: "The nationalists are very dissatisfied". He pointed to the relatively strong showing in the vote on Sunday by the ultra-nationalist Radical party of Mr Vojislav Seselj in both the federal and local polls.

The Radicals, which won 16 seats at the federal level, appear to have won the votes of people angry Mr Milosevic jettisoned Serbs in neighbouring Bosnia in 1993.

Mr Seselj, a former political prisoner who leads a paramilitary group, preaches national solidarity among Serbs – a catch-phrase for the eventual unification of all Serb lands.

The Serbian President rose to power in 1987 on a pledge to protect Serbs wherever they were in Yugoslavia. Many Serbs feel they gave away victory in Bosnia in the Dayton peace agreement.

They feel outraged and betrayed by Mr Milosevic, who strong-armed them into accepting the peace agreement a year ago and has now dusted off the communism whose slogans he seemed to have abandoned during his ascent. Some are now beginning to see him as an opportunist who had calculated that unbridled nationalism would maximise his grip over Serbia.

Mr Milosevic is believed to want to become president or prime minister of Yugoslavia next year when his term as Serbian president expires in December 1997. This would presage purges of the security services which maintain close ties with Mr Milosevic's former proxies among the Bosnian Serbs.

Slobodan Milosevic and his wife on their way to vote at the weekend *Reuter*

A helicopter belonging to the Nato peace force yesterday chased a Bosnian government police car after it sped away from burning Serb-owned houses in a village abandoned a year ago by Serbs fleeing a Moslem-Croat offensive.

In apparent retaliation for the destruction last month of 96 damaged Moslem homes by Serb authorities, the incident was part of a campaign across Bosnia to prevent the return of 2m refugees, a provision enshrined in the Dayton peace agreement.

The houses were owned by Moslems who had applied to the UN High Commissioner for Refugees to visit their homes, now in Serb-held north-western Bosnia.

Yeltsin takes back reins of power

By Chrystia Freeland in Moscow

Less than 24 hours after going under the surgeon's knife, Russian President Boris Yeltsin yesterday resumed full control over his country and began what officials described as a "surprisingly" good recovery from his quintuple heart bypass operation.

At 6am yesterday he signed a decree ending the temporary stewardship of Mr Victor Chernomyrdin, the prime minister, who had been entrusted with full presidential powers when the Kremlin leader's heart surgery began on Tuesday morning.

Mr Yeltsin, who met Mr Chernomyrdin for 15 minutes and was allowed brief visits from his family, was taken off a ventilator, an important stage in the recovery.

Russia's nervous political establishment, whose grip on power had been threatened by Mr Yeltsin's prolonged illness, appeared relieved by the president's early signs of vigour. Government politicians and business leaders hope the successful operation will end the uncertainty which has plagued Russia since the president disappeared from active politics in late June.

But with even the most upbeat forecasters predicting it will be three to four months before the president can resume a full work load, the Kremlin is likely to lack a clear leader for some time.

"The president is on duty again," Mr Chernomyrdin said after his brief audience with Mr Yeltsin. "I hope everything will be fine."

The Kremlin's official spokesman was even more cheerful, telling a news briefing that the president's physical rebound had exceeded doctors' expectations.

"All of us in the Kremlin are in a good mood because Boris Nikolaevich is recovering quickly, surprising the doctors with his strong health and powerful will," he said.

But Mr Chernomyrdin – himself a survivor of a heart bypass performed by the Russian doctor who operated on the president – tempered the elation with his insistence that a gentle and gradual convalescence was essential.

The premier, who many observers believe is being groomed to succeed Mr Yeltsin, said he and his government would seek to keep the burdens of state from weighing too heavily on the president.

That verdict was echoed by Mr Gennady Zyuganov, the Communist leader who was defeated by Mr Yeltsin in the July battle for the presidency.

"He must now care more about his health," Mr Zyuganov said. "He must trust more of the people he is working with, otherwise there will be neither [Mr Yeltsin's] health nor an effective government."

Russian markets reacted with cautious enthusiasm to the news with a rise of just under 1 per cent in share prices and a gentle fall in yields on domestic bonds. Some dealers predicted a further rally next week, when Russia goes back to work after the three-day Bolshevik Revolution holiday which begins today.

But the financial community's response could be muted by continued concerns over the economy, which faces a severe cash shortage and desperately low tax revenues.

Bonn sets deadline on spending cuts

By Peter Norman in Bonn

The parties in Chancellor Helmut Kohl's coalition government have set a deadline of next Monday to achieve DM3bn ($2bn) in savings and so ensure that the 1997 federal budget deficit does not exceed the planned DM56.5bn.

The scale of the necessary spending cuts emerged after talks late on Tuesday among leaders of the three governing parties under the chairmanship of Mr Kohl and after a meeting of the Bonn cabinet yesterday.

The government is determined to keep to next year's planned net borrowing requirement without raising taxes as part of its efforts to meet the Maastricht criteria for the start of European economic and monetary union in 1999.

The discussions on Tuesday also resulted in a truce between the small Free Democrat party and its Christian Democrat and Christian Social coalition partners over how far to cut the hated solidarity surcharge, which is added to income and corporation tax bills to help finance eastern Germany, at the beginning of 1998.

According to Mr Friedrich Bohl, minister in charge of the chancellery, leaders of the FDP, CDU and CSU agreed to postpose a decision on the solidarity surcharge until December 11, when Mr Theo Waigel, finance minister, is due to present proposals for a far-reaching reform of Germany's income tax system from 1999.

The FDP has been at loggerheads with its coalition partners ever since the parties agreed last month to delay a planned cut in the surcharge from 7.5 to 6.5 per cent at the beginning of next year. The FDP, which has been promoting itself as a tax-cutting party, has insisted that a 2 percentage point cut on January 1 1998 should be agreed this year while the CDU/CSU argued that it would be folly for the government to commit itself in advance.

Yesterday, Mr Hermann Otto Solms, FDP leader in the Bundestag, said the coalition had been in danger at the height of the row. But after a "cleansing thunderstorm" all parties were now content with the compromise to delay the decision.

However, Mr Kohl's government could face new strains as it attempts to find DM3bn of spending cuts by next week. While the FDP and Mr Waigel have said there should be "no taboos" in the search for lower departmental spending, the defence and social security ministries have signalled strong resistance to further cuts.

● The cabinet yesterday approved a ban on imports from Britain and France of brains, spinal cords and eyes from sheep and goats over 12 months old because of fears BSE could be transmitted to such beasts by contaminated feed. The health ministry said Germany's action followed similar bans in France and the UK.

Brussels widens Bremer Vulkan probe

The European Commission is to extend its investigations into the misuse of state aid at Bremer Vulkan, Germany's largest shipbuilding group, writes Emma Tucker in Brussels. It said yesterday a further DM200m ($132m) of aid, on top of DM588m already identified, had been diverted from the group's ailing east German yards, for which it was intended, to the mother company in west Germany.

Brussels believes the money, intended to modernise the east German yards, was placed in the group's central budget and used to cover losses in other parts of the group. "The money should have been available for the restructuring and operation of the two eastern shipyards, which were placed in an extremely difficult position as a result of the withdrawal of funds by their parent company."

Mr Friedrich Hennemann, Bremer Vulkan's former chairman, was arrested last summer because of irregularities relating to the aid payments.

The Commission claimed that on the basis of investigations carried out by an auditing company appointed in Germany, the total amount of money diverted amounted to DM788m. This sum was made up of DM492 of restructuring aid from the Treuhand privatisation agency; a DM112 loan granted to one of the east German shipyards without the Commission's permission; DM44m in regional aid; and DM139m in interest accruing on aid already paid.

● Brussels yesterday approved the use of German state aid to help ship operating companies cover the difference between the cost of manning German-flagged ships and those operating under flags of convenience.

● Mr Karel Van Miert, competition commissioner, is expected to block a Spanish cable television deal between Spanish telecommunications group Telefónica and French pay-TV company Canal Plus.

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Belarus president defies parliament and courts over referendum

Lukashenko raises the stakes

By Matthew Kaminski in Kiev

President Alexander Lukashenko of Belarus has stepped up his confrontation with parliament and the courts in his bid to assume control of the former Soviet republic.

He issued a decree yesterday making a referendum, called for November 24 to vote on extending his powers, legally binding.

The constitutional court had ruled that the referendum could only have "an advisory character", while parliament had declared that it was a consultative vote and added three questions of its own – including one on abolishing the presidency.

Mr Lukashenko, who rejected parliament's attempts to change the referendum, also claimed the constitutional court's ruling was against "the public will". He said that if 50 per cent of Belarus voters backed his reforms the results would have "legal force".

The president, who controls the media, is asking citizens to endorse his proposal to extend his term by at least two years, to 2001, and to give him virtual control over the legislature and the independent constitutional court.

The constitutional crisis has galvanised an opposition centred around the parliament and has brought demonstrators on to the streets. A rally last month called for the president's impeachment. The outcome of the power struggle is likely to seal the fate of democracy in one of eastern Europe's least reformed countries.

Western governments have condemned the presidential draft which, they say, disregards the rule of law. But the Kremlin, where Mr Lukashenko's push to reintegrate the Slavic states is well received, has quietly backed him.

The president, who won elections in a landslide in 1994, remains popular. Polls put his approval rating near 50 per cent, while the opposition lacks a charismatic leader.

Suspicious of market reform and of the west, the former collective farm boss has made Russian a state language, brought back Soviet-era state insignia and repressed nationalist movements. His campaign against corruption and crime has found favour in the nation of 10.7m people.

But the contentious poll represents a gamble for Mr Lukashenko. By pushing ahead against the other branches of government, the president risks fanning unrest.

The support of the security services was put in doubt last week after the sacking of the defence minister, Mr Leonid Maltseu. The earlier firing of a popular interior minister had angered the police, although recent public demonstrations have been met with force.

Dehaene threat to impose pay deal

By Neil Buckley in Brussels

Mr Jean-Luc Dehaene, Belgian prime minister, yesterday warned unions and employers that the government would impose a 1997 wage deal if they failed to reach an acceptable agreement by the end of November.

After the acrimonious collapse late on Tuesday of talks between Belgium's unions and employers' organisations, Mr Dehaene said in an interview the government recognised it might be forced to use powers provided by a law passed in July to impose a wage settlement for the country's 2.2m private sector workers.

"I very much hope we won't have to do so, but I fear that we might," he said.

He acknowledged that such intervention by a government already deeply unpopular following a series of legal scandals could provoke industrial unrest.

The government plans to give unions and employers a "cooling-off" period before attempting to mediate. If there is no agreement by the end of November, the government can impose one.

The law authorised unions and employers' organisations to agree the first pay rise for Belgian workers in three years, provided the increase did not exceed the average in Belgium's biggest trading partners – Germany, France and the Netherlands.

Belgian citizens have endured the pay freeze as part of an austerity programme to ensure Belgium qualifies for Emu.

Talks on a deal for all private sector employees – about two-thirds of the workforce – began last month but broke down over pay levels and union demands for job creation measures, prompting the socialist FGTB union, Belgium's second biggest, to call a one-day strike last week.

Talks restarted after both sides met Mr Dehaene on Monday but collapsed almost immediately.

The Belgian employers' federation yesterday blamed the FGTB for the failure, accusing it of "introducing unacceptable elements" when it published a list of demands this week.

The FGTB said the federation's complaint was "paradoxical" since it had attacked the union for not having a clear negotiating mandate.

Mr Dehaene yesterday noted that the FGTB was the only union not to back a jobs pact he sponsored between the social partners in spring. "I had to state in May that I had an agreement but that one of the parties had not approved it. I have to state today that, once again, mainly due to this same union, the social partners have found it difficult to agree."

EUROPEAN NEWS DIGEST

Juppé under new attack

France's prime minister, Mr Alain Juppé, is not fit to have the job, Mr Charles Pasqua, a Gaullist former interior minister, said yesterday in an interview with Le Monde newspaper. He said Mr Juppé would make "an excellent chief aide to [President] Jacques Chirac" and he described the national executive of the RPR Gaullist party as "the first regiment of boot-lickers".

Mr Pasqua warned that France was on the verge of a revolt against the rigour of the government's policy to qualify for European monetary union. Next year, he said, "we will see that the foot won't go into the shoe", referring to plans to squeeze the budget deficit.

Mr Juppé cannot have felt his position reinforced yesterday when Mr Pasqua said, after having had lunch with President Chirac, that they had talked "about everything, very frankly". Mr Chirac has repeatedly stated his support for Mr Juppé, but French presidents can change premiers at will.

Mr Edouard Balladur, a Gaullist former prime minister, has added his voice to criticism of the government's handling of the sale of Thomson, the state-controlled electronics giant. He told the weekly newspaper VSD that ministers should have waited for the advice of the French privatisation commission before letting their preference for the Lagardère defence group's bid be known. But he said he agreed with the government's choice of bidder. *David Buchan and David Owen, Paris*

Finn calls for Emu delay

The new parliamentary leader of Finland's governing Social Democratic party has sharply criticised plans to launch European monetary union in 1999. This is in defiance of Mr Paavo Lipponen, the SDP prime minister who is pushing hard for Finnish membership of Emu.

Mr Erkki Tuomioja said in a newspaper interview that the Emu project was a risk for all EU countries and should be postponed for a decade. He was careful not to suggest he was planning any revolt against Mr Lipponen, whose pro-Emu policies won approval at the last party congress, but his stance is likely to prove awkward. It underlined the significant opposition to Emu.

In Sweden, meanwhile, Mr Erik Åsbrink, the finance minister, told parliament the government there would not seek to enter Emu against the wishes of the public which is currently strongly hostile to the idea. "Making a decision which is in conflict with public opinion is out of the question," he said. *Hugh Carnegy, Stockholm*

MEPs face expenses squeeze

European MPs face a clampdown on their lavish expenses. Mr Klaus Hänsch, the assembly's president, who is committed to reforming an institution criticised even by insiders for extravagance, yesterday summoned leaders of the political groups to seek agreement on tightening the rules for benefits and travel allowances.

The meeting followed pressure from several MEPs after a British television documentary last month showed secretly filmed abuses of the system. These included members claiming allowances for the final day of parliamentary sessions and then failing to take part.

The main political groups, including the dominant Socialists, said yesterday they supported reform in principle but were waiting to hear the details of Mr Hänsch's plans which he will present today. If the president, vice presidents and political group leaders can agree on reforms they could be imposed without a parliamentary vote. *Neil Buckley, Brussels*

Hard Rock Cafe penalised

Police yesterday shut down the Hard Rock Cafe in Paris for two weeks, saying it had imported beef from Britain in defiance of a ban imposed because the "mad cow" scare. The restaurant, a favourite resort of Americans, describing the move as "totally unjustified", said it would appeal against the closure which was linked to the seizure by health inspectors last week of 300kg of frozen hamburgers.

A police statement said the agriculture ministry had "confirmed that the import to France of the beef seized on October 28 was illegal". It cited a danger of "serious risks for public health" in ordering the closure. The meat was incinerated.

The Hard Rock Cafe, part of an American-style chain owned by the Rank Organisation, said the hamburgers came legally from cows raised in Ireland and had merely been processed in Britain. *Reuter, Paris*

Romanian coalition forming

Romania's two main opposition parties, which defeated the former Communists for the first time in Sunday's parliamentary elections, said last night they would sign a governing pact today. Results announced yesterday gave the centre-right Democratic Convention 30 per cent, and the Social Democratic Union, the second pro-reform opposition group, 13 per cent. However, the two groups will hold about half the seats in parliament once the votes of parties not reaching the 3 per cent threshold are redistributed. The ethnic Hungarians' party, which won 7 per cent, also announced it expected to support them.

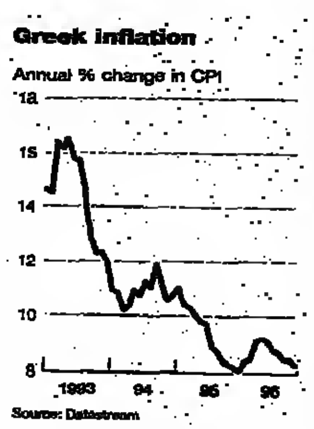
However, a new administration cannot be formed until after a run-off for the presidency on November 17. President Ion Iliescu polled better than his Party of Social Democracy, the former Communists, gaining 32 per cent compared to the party's 22, but faces an uphill battle to beat the Convention's Mr Emil Constantinescu who won 28 per cent. Mr Roman, who came third with 20.5 per cent, is due to endorse Mr Constantinescu today.

Mr Iliescu relaunched his campaign yesterday, saying he would co-operate with an opposition government but that the Convention was inexperienced and over-optimistic and that he was the only guarantor of stability and social peace.

International observers declared the elections fair although they noted a high 5 per cent of ballot sheets were void. *Virginia Marsh, Bucharest*

ECONOMIC WATCH

Greek inflation rate eases



Greece's inflation rate slowed to 8.3 per cent in October from 8.5 per cent in September, raising hopes that the government's revised 7.9 per cent target for end of the year may be met. The economy ministry has blamed a sharp rise in food prices and higher international oil prices for the slow deceleration in inflation this year. Administered price increases for utilities and transport have been postponed in an effort to reach the target, which was initially set at 5 per cent. However, private sector analysts said substantial real wage increases this year, amounting to around 11 per cent in the public sector, had kept inflation high. Greece is aiming to reduce inflation to 4.5 per cent by December next year under its convergence plan for participating in European monetary union by 2001. *Kerin Hope, Athens*

■ Finland's current account surplus was FM2.3bn ($506m) in September compared with FM2.6bn a year earlier.

Reports give differing verdicts on the progress made by countries towards Emu

EMI sees bad omens for smooth start

Anyone expecting harshly critical words from the European Monetary Institute will be disappointed by its latest report – Progrese Towards Convergence 1996. But its message is a strong one, though wrapped in restrained rather than barbed language.

Charged with assessing how briskly European Union members are proceeding towards European economic and monetary union, due to start in 1999, the EMI has made clear it is not too happy.

"Overall, the report concludes that at present a majority of member states do not fulfil the necessary conditions for the adoption of a single currency," the institute notes. It is concerned that action to bring down budget deficits has generally been too slow, although projections for 1996 euggest there has been progress.

As the forerunner of the planned European central bank, the Frankfurt-based EMI is keen to see not only that the convergence criteria laid down in the Maastricht treaty are met but that they cen be sustained.

Financial markets are starting to look beyond 1999 and take a view on future price, fiscal and other trends. They will assess how competitive, attractive and open the euro area will be in global terms.

All these factors are being fed into long-term interest and exchange rates – "and they will ultimately determine the long-term interest rate and exchange rate levels of the euro", the EMI notes. So it is not enough just to meet the criteria. Nor do countries' budgetary and dabt problems arise just from striving to qualify for Emu; higb unemployment and the pension challenges of an ageing population also need to be tackled.

Thus, the institute eays sternly, governments are "well advised not only to focus on the achievement of convergence in a single year, but also to demonstrate the political will and the ability to tackle the underlying problems".

So far, it asserts, they are generally failing to do this effectively enough.

Whila inflation is kept down, exchange rates are fairly stabla and interest rates not too high, "progress in fiscal consolidation has generally been too slow". Most countries have not yet reached a situation which could be called sustainable in the medium term.

Witbont mentioning France Télécom or the window-dressing bndget measures planned by Italy, the EMI makes its views quite clear on this. "It is emphasised that the improvement of the deficit by measures with a one-off effect does not ensure sustainable consolidation, and great attention will have to be paid to the substance and not only to the accounting methods used in measuring both deficits and debts."

This will be music to the ears of the Bundesbank, which dislikes the manoeuvring by the French government to use pension fund transfers from the state telecommunications company to lower its 1997 budget deficit. The German central bank, whicb has spent four decadee bolstering the strength of the D-Mark, is concerned that Emu should not start under circumstances which undermine stability and confidence.

The EMI also takes a swipe at Italy, though also withont mentioning it by name. The higher a country'e accumulated debt, the "more resolute" its consolidation efforts need to be. It is estimated that Italy's public indebtedness will be at 123 per cent of gross domestic product at the end of this year against the Emu criteria level of 60 per cent.

Still higher is Belgium's debt level of 131 per cent, although this has been coming down for three years. Italy has made only marginal progress since 1994. Starting from a lower level, Germany, Spain and Austria have been on a continually rising debt path up to 1995, while the Netherlands, Portugal, Finland and Sweden have experienced mixed results in containing debt growth.

On the budget side, performance is equally mixed. Earlier improvements have been reversed in Germany, and Austria'e deficit is coming down after rising in recent years.

Most other countries have managed to bring bndget deficits down since 1993, but these are still expected to remain considerably above the criteria level (3 per cent of GDP) in Spain, France, Portugal, Sweden and the UK and well above it in Greece and Italy.

Ultimately, the decision on who joins Emu, whether it will start on time and how strictly the criteria are interpreted is a political one.

But the EMI, representing the EU's central banks, is charged with reporting on countries' relative progress; yesterday's report was a test run for its final recommendations early in 1998 based on 1997 data.

Based on the institute's verdict, tbe omens for a smooth start to Emu do not look too favourable at this stage.

Four countries – Denmark, Ireland, the Netherlands and Luxembourg – look likely to meet the 3 per cent budget limit this year, while three – France, Luxembourg and the UK – will probably fall within the 60 per cent debt limit.

Thus tiny Luxembourg remains the only sure candidate. However, Germany has stated its determination to slide back under the budget thresbold (its deficit is put at 4 per cent for this year) and hold down its overall debt, which is barely above the Maastricht line.

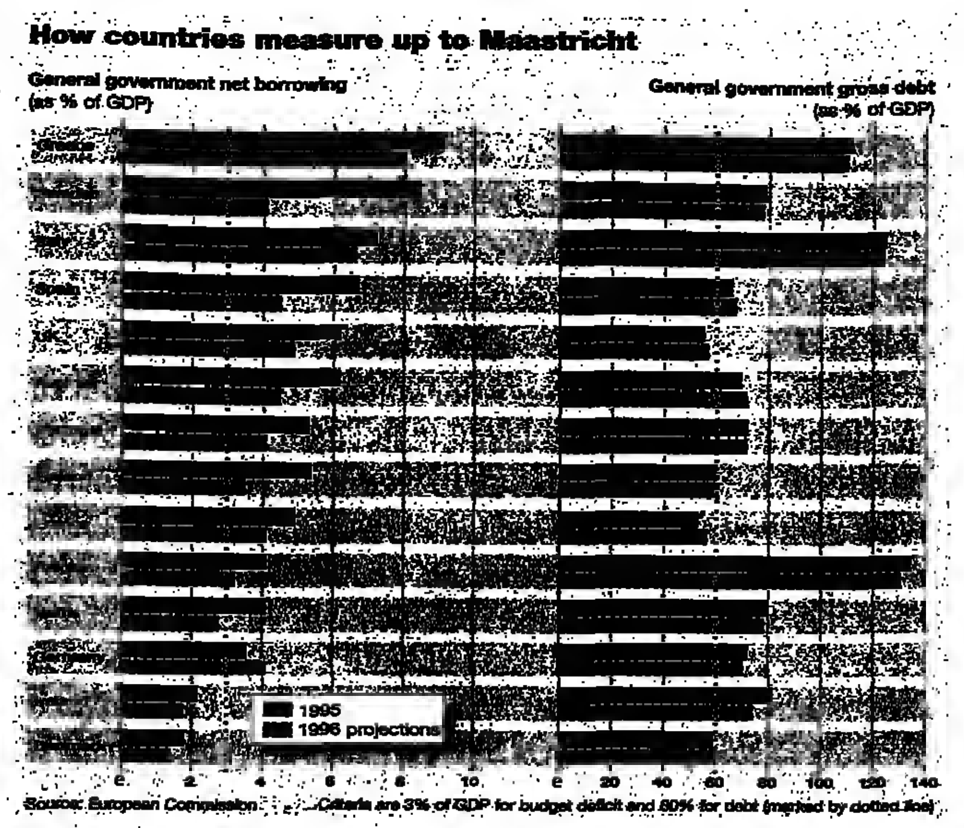
France (at 4 per cent and 56.4 per cent respectively for 1996) is also pushing hard, as its France Télécom ploy shows.

As for Italy, the EMI calls for "very strong and sustained action".

When Emu decision time comes, defining "sustained" and "sustainable" will be a matter of hard politice rather than semantics.

Editorial Comment, Page 15

Andrew Fisher



Source: European Commission. Criteria are 3% of GDP for budget deficit and 60% for debt (marked by dotted line)

Spanish and Italian bonds show surge

By Richard Lapper, Capital Markets Editor

Italian and Spanish government bonds snrged again yesterday morning on bopes that both countries could become founder members of European monetary union, with yields on Italian 10-year paper falling to the same level as those on UK gilts at one point.

Later in the day these markets lost ground in comparison with gilts but still outperformed tbe German market, wblcb acts as a benchmark for European markets.

"There is complete euphoria," said Mr Mark Fox, chief European strategist at Lehman Brothers, the US investment bank. "No one has any interest in negative stories on convergence."

As recently as January, Italian 10-year bonds were paying a yield of nearly 3 percentage points more than gilts, but this gap – or yield spread – has narrowed sharply, especially over the last two months.

By late afternoon, Italian yields were about a tenth of a percentage point higber than gilte, while Spanieh yields were more than a fifth of a percentage point lower.

Investors have been encouraged by the prospect tbat, following the announcement of their 1997 budgets in September, both Italy and Spain could reduce their fiscal deficits to the 3 per cent level specified in the Maastricbt treaty, which could allow them to become founder members of Emu.

This week sentiment has been buoyed by comments from Mr Jacques Chirac, the French president, indicating his belief that Spain would make the first stage of Emu. The US election result, whicb initially buoyed the dollar and US treasury markets, bas also belped. The value of the peseta and the lira against the D-Mark typically rises or falls in line with tbe dollar.

Yesterday's report by the European Monetary Institute - less upbeat than one from the European Commission – was initially ignored by traders.

However, analysts said it contributed to weakness in the Italian and Spanisb markets as news of its contents began to filter througb the market during the afternoon.

Mr Julian Jessop, chief European economist at Nikko, the Japanese securities house, said there had been "a lot of momentum trading". Investors were not necessarily convinced about the fundamentals but were still "jumping on the bandwagon".

Analysts olso said US hedge funds had been active in the market in the last few days.

Mr Jessop said tbese and other International investors tended to regard the UK, Italy and Spain as part of "the same basket".

Capital markets, Page 26

Brussels gives upbeat budget deficit forecast

By Gillian Tett, Economics Correspondent

The European Commission yesterday delivered a resounding declaration of support for the single currency project by forecasting that most countries would fulfil the budget deficit requirement.

Its latest half yearly forecast and report on economic convergence projects that 12 out of ths 15 European Union countries will cut their budget deficits to 3 per cent of gross domestic product or below in 1997 – the crucial ratio needed to join Emu in 1999.

The only laggards are forecast to be Greece, the UK and Italy.

However, in a move that raises hopes of an early Emu membership among Mediterranean countries, even Italy is deemed close to the target: the Commission admitted that it was examining some Italian budget measures which could cut the country'e deficit to 3 per cent, too, if approved by the statisticians.

The Commission'e 1997 deficit projections largely matcb the declared budget targets of the EU governments. However, they are deemed by most economists to be very optimistic – not least because the Commission also issued fairly modest growth forecasts for the area.

The Commission expects European Union growth to rise to 2.3 per cent next year, from 1.6 per cent this year. This is similar to its last projections six months ago, albeit with German growth sharply revised up, and Italian growth revised down.

Report seen as signal of strong political will behind Emu

But it remains unclear wbether these growth rates will be enough to cut deficits as fast as projected – particularly in Italy, which is expected almost to halve its deficit, and Spain which is expected to cut it from 4.4 per cent this year to 3 per cent next.

Consequently, economists yesterday interpreted the report as a clear signal of the strong political will behind Emu – irrespective of economic obstacles.

Mr Julian Callow of investment bank Kleinwort Benson said: "It shows that the Commission is determined as much as anyone to make Emu happen."

But though the Commission took an optimistic line about budget deficits, it also admitted that progress over the other Emn criteria was patchy.

Indeed, the only country that met all the criteria last year was Luxembourg, it said.

Countries such as the UK, Italy and Spain, for example, are still struggling to meet the inflation target (which requires inflation rates to be no more than 1.5 percentage points above the average of the lowest three countries.)

On the debt side, the Commission points out that there has been a "steady reduction" in the debt ratio in recent years in Belgium, Denmark and Ireland.

It forecasts similar falls in Greece, Italy, the Netherlands, Portugal and Sweden.

Howver, in 1996 only Luxembourg, tbe UK, and France bad debt to GDP ratios below 60 per cent – the single currency target. And the Commission admits that Germany'e and Finland'e debt is projected to rise above 60 per cent of GDP in 1997.

Meanwhile, Belgium and Italy are projected to have debt to GDP ratios almost twice the target level in 1997.

Ciampi insists Italy's economy in good shape

By Robert Graham in Rome

The Itelian government yesterday brushed aside the harsh judgment of the European Monetary Institute on the country'e chances of having the right economic credentials to take part in the first phase of the single currency.

Mr Carlo Azeglio Ciampi, the treasury minister, dismissed the EMI figures as "ont of date" and focused instead on the more positive assessment of the trend in the Italian budget deficit and inflation issued by the European Commission.

The treasury minister insisted that, rather than being excluded, Italy was moving fast towards having its fundamentals in order for ths real assessment in 1998.

Speaking at a specially convened press conference on the EMI and Brussels reports, Mr Ciampi said the Italian economy had already entered a virtuous cycle of falling inflation and lower interest rates that was in turn reducing the size of the overall budget deficit.

Mr Ciampi also said he was confident Italy could resolve with EU partners any differences over treasury operations to rednce the deficit, which ha insisted would not be window-dressing.

Repeatedly Mr Ciampi emphasised bow dramatically the spread between Italian and German 10-year benchmark bond yields had narrowed – from over 500 basis points at the beginning of the year to 191 this week, bringing significant savings on the cost of servicing Italy'e buge debt stock.

The trend in falling interest rates could mean debt service falling to the equivalent of 8 per cent of gross domestic product by 1998 instead of over 10.5 per cent this year. Meanwhila, the primary surplus (balance of receipts and expenditure less interest payments) would be 6.5 per cent of GDP.


Ciampi: confident

Mr Ciampi said the government expected to save at least L5,000bn ($3.3bn) in interest payments next year. This would be included as part of the L12,500bn the government has pledged to find in treasury operations as part of the second stage of the 1997 budget.

Until now the centre-left government has consciously avoided including any "windfall" savings in interest payments in its macroeconomic projections for public finances.

Turning to the EMI report, Mr Ciampi said the data was on out of date trends. He said the institute estimated 1997 inflation at 4.7 per cent while yesterday's official figures for October showed an annualised rate of 3 per cent.

Large Brussels study endorses effectiveness of regional aid

EU's north-south divide narrows

The north-south income divide in Europe is closing, bnt the gap between rich and poor regions is growing, notably in Britain, according to a European Commission study approved yesterday.

The 120-page "cohesion" report strongly endorses the idea of regional aid as a means of reducing social and economic disparities in the European Union. But, in guarded terms, it serves notice that bensficiaries such as Ireland and Spain cannot expect an open-ended commitment to future assistance.

The report signals indirectly that some reduction in Brussels aid may occur as a result of rising living standards among the "Poor Four", which also include Greece and Portugal; but also because of the demands from future EU members in poorer, farm-intensive central and eastern Europe.

Regional aid – both structural assistance to certain regions and cohesion funds for the Poor Four countries – accounts for more than a third of the EU's annual budget of Ecu90bn ($116bn) in 1996. Structural funds have risen from Ecu18bn in 1992 to a planned Ecu31bn in 1999 (at 1992 prices). The cohesion fund is set to cost an estimated Ecu14.5hn more between 1994 and 1999. By some calculations, the Union gives away in any two years more than the Marshall Plan for post-1945 reconstruction in Europe did during its entire existence, though disbursement is conditional on matching national funds.

Mrs Monika Wulf-Mathies, the German regional affairs commissioner, insisted yesterday that regional aid offered real value for money. Not only was the gap between rich and poor countries narrowing, but net contributors to the budget such as Germany were benefiting from extra public works contracts and other business in the poorer countries.

"We estimate that between 30 and 40 per cent of the EU money flows back to 'donor' countries," she said in a message to her fellow-countrymen who, along with Britain and the Netherlands, are pressing for a freeze in real terms in the next EU budget negotiations in 1999.

The cohesion report, covering the period 1983-1993, is the most comprehsnsive assessment of the effectiveness of regional aid. It shows that the gap between rich and poor countries has narrowed substantially. Furthermore, extra competition in the single market has not proved to be a "joh killer" in the poorer countries.

Ireland has made the most spectacular advance among the Poor Four in raising incomes through higher economic growth. Thanks to annual growth well in excess of 5 per cent, Ireland's gross domestic product per head has risen from 63.6 per cent of the EU average to 89.9 per cent in 1995. Some economists believe it could overtake UK average income by the turn of the century.

Spain has moved up from 70.5 per cent in 1983 to 76.2 per cent in 1995, a slight drop from 1993. Portugal has climbed from 55.1 per cent to 68.4. Greece has only raised its income per head from 61.9 to 64.3 per cent, despite receiving hundreds of millions of ecus of aid.

Regional funds account for a third of the Union's budget

Among the regions, Hamburg retains its top spot as the Union's wealthiest with 189 per cent of average EU GDP per head. Brussels (183) is second, swapping places with Ile de France around Paris (163). Greater London (144) slips from seventh place to ninth.

Guadaloupe (37), and Portugal's Azores islands (42) are at the bottom of the pile. But on mainland Europe, the poorest regions include Saxony (53) in former east Germany, Galicia (60) and Andulacia (58) in Spain, and Calahria (61) in southern Italy. The regional average GDP per head in the 25 most depressed regions is 55.

Despite Britain's success in creating jobs and reducing unemployment, the economic divids hetween the prosperous south of England and tha poorer north is increasing, the report indicates. The percentage of population living below the poverty line in the UK increased in the 1980s.

Asked to explain why soma regions were doing better than others, Mrs Wulf-Mathies identified four lessons:

- Ireland has benefited from sound macroeconomic policies, its ability to act as a magnet for US investment, and its own public investment in human resources, the highest in the EU.
- Greece has suffered from heing on the periphery of Europe, but also from poor puhlic administration to manage EU funds. As a rule, countries have difficulty handling aid amounting to more than 4 per cent of GDP, she said.
- Britain's poorer regions are suffering from cuts in public services and the increasd costs resulting from privatisating utilities such as water. However, she praised ths work of the Scottish and Welsh development agencies, as well as the authorities on Merseyside.

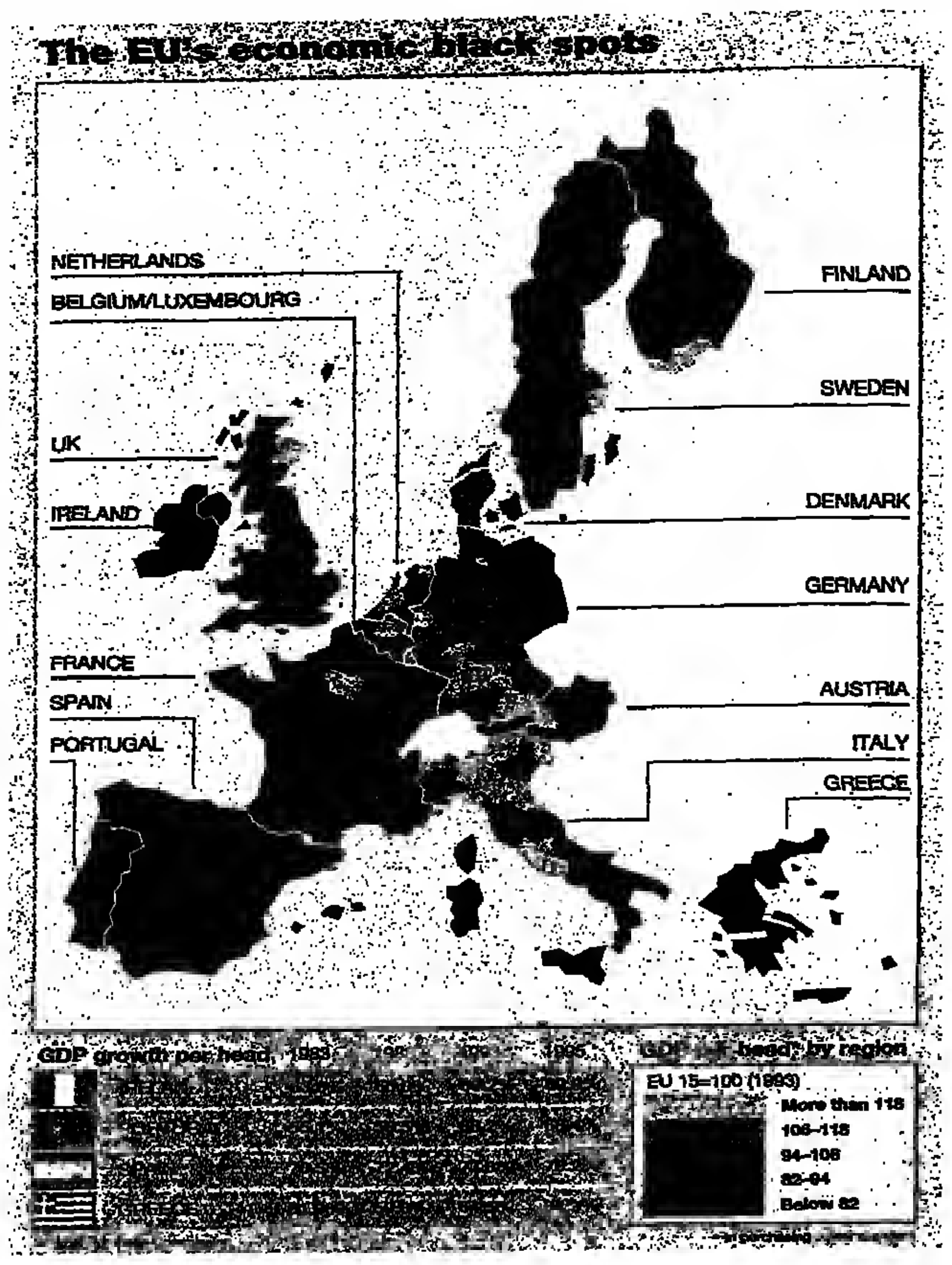
Looking to the future, Mrs Wulf-Mathies said it was important to tighten eligibility for regional aid. At the moment, more than 50 per cent of the population in the geographical area of the EU received some kind of financial aid from Brussels.

Last year, she floated ideas in favour of limiting the increase in the next EU budget in order to cope with the extra cost of admitting poorer members from the east. However, she avoided drawing specific conclusions oo future enlargement.

Ireland and other countries have told the Commission to tread carefully. They fear that a row over the future of the hudget and regional aid reform could spill into the Maastricht treaty review conference on economic and monstary union. The Commission will unveil proposals for policy reform next year, after the conference concludes and before candidates for accession are chosen. In this senss, the cohesion report can look forward to a second life.

Lionel Barber

The EU's economic black spots



Gains in Spain, but rich and poor continue to grow apart

By David White in Madrid

Spain receives more of the European Union's regional aid than anyone else, and more than half tbe cohesion fund established to help pull up the poorest members. But, while there is no part of the country that has not gained, the gaps between the richer and poorer parts of Spain are as hig as ever.

According to a study* just published by Fundación BBV, the first decade of membership has brought growth higher than the EU norm to all regions of Spain except the northern mining area of Asturias. The per capita prodnct in Spain as a whols rose to 78.2 per cent of the Union average in 1995, compared with 70.6 per cent in 1985 when the country signed its accession treaty.

But the difference between the richest region – the Balearic Islands, almost 20 per cent above the EU average – and the poorest of Extremadura and Andalucia has actually widened. The per capita figure for Extremadura has moved seven points closer to the average at 53.6 per cent, but the Mediterranean islands have gained almost 15 points.

What is more, part of Extremadura's gain in gross domestic product per head comes from a loss of population. The same applies to areas such as the Basque country, which receives EU aid as an industrial region in decline.

"A combination of continuous growth and permanent dissatisfaction" is how the anthors, three economics professors, refer to the regional development pattern. It could, they say, "be with us for many years".

The impact of EU aid is clearly visible in Spain's less-developed south – motorways, high-speed trains, industrial parks. But ths unemployment rate in Andalncia, which was 30 per cent 10 years ago, now stands at more than 32 per cent. On the other hand, the rate has decreased in Catalonia, the most industrially developed part of Spain.

For all the regional support, the most dynamic development has heen concentrated in the northeast of the country, Madrid and the islands.

Out of the Ecu153bn ($195bn) allotted for structural funds for 1994-99, more than Ecu34bn was earmarked for Spain, the bulk of it in "Objective 1" funding, targeted at regions lagging behind in development. However, two of the qualifying regions, Valencia and the Canary Islands, have already moved above the threshold income level of 75 per cent of the EU average.

Defending Spain's claim to a sustained flow of funds has become a political imperative for the centre-right government in the run-up to EU enlargement. Mr Abel Matutes, foreign minister, said last week that Madrid "would reject any rednction in structural and European cohesion funds". The future of cohesion funds, the government maintains, is not due for discussion until 1999, hy which time Spain should have received at least Ecu7bn.

However, Spanish diplomats recognise privately not only that the country's share of funding is likely to fall bnt also that it needs to outgrow its reliance on EU-backed infrastructure projects. EU funding, requiring matching resources, can have a distorting effect on economic priorities, they say.

The Fundación BBV study conclndes that regions' ability to attract private investment is a more determing factor than public money. It argues that Spanish access to the single currency, with the promise of a stable economic environment and lower interest rates, could be the best thing for building the stock of capital in the less-favoured regions.

**Capitalización y crecimiento en España y sus Regiones 1955-1995, Fundación BBV, Plaza de San Nicolás 4, 48005 Bilbao.*

LDP factions seize back levers of power

By William Dawkins in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yesterday began to share out cabinet jobs between the five factions of his Liberal Democratic party, confident that he will this afternoon be re-elected by parliament for a second term.

Nearly all 20 cabinet seats are expected to go to LDP members, marking a reassertion of power by the party's conservative old guard. This should be powerful enough to push through legislation to trim the power of the bureaucracy, but remain cautious on economic deregulation.

The reassertion of LDP factions' grip follows the party's victory with a near majority in last month's general election. The new cabinet line-up, due to be announced this evening, will mark a contrast to the previous cabinet, a disparate alliance of the LDP, the left-wing Social Democratic party and the centre-left New Harbinger party, the fourth coalition in three years. Mr Hashimoto's former partners say they do not want cabinet seats and have offered loose case by case co-operation in parliament.

The front-runner for the job of finance minister, the most powerful cabinet job, is Mr Hiroshi Mitsuzuka, 69, a former foreign and trade minister who heads the LDP's second largest faction. His ambitions for the premiership in the early 1990s were frustrated by suggestions of financial irregularity. Mr Yukihiko Ikeda is expected to stay on as foreign minister.

The ministry of international trade and industry was yesterday said by party officials to be reserved for Mr Shinji Sato, 64, son of a former prime minister. He, like Mr Hashimoto, is a member of the LDP's largest faction, led by Mr Keizo Obuchi, 59, which emerged from the general election greatly strengthened. Another Obuchi man, Mr Seiroku Kajiyama, 70, chief cabinet secretary, is tipped to keep his job as the government's spokesman and policy co-ordinator.

The Obuchi faction's advance is a telling illustration of the revival of the LDP's old guard. Mr Obuchi's group was founded by the late Mr Kakuei Tanaka, a former prime minister, who was the godfather of porkbarrel politics. It almost collapsed four years ago, thanks to mass defections in response to public demands for a cleaner and more transparent style of politics.

That triggered a self-destructive LDP power struggle, which led to the formation of reform-minded parties and the creation of a new electoral system, intended to encourage politicians to woo voters with policies rather than cash handouts and favours. The new system received its first test in last month's election. Ironically, the Obuchi faction thrived under the new rules. It won 22 extra seats last month – well over twice the number gained by any other faction – to give it 88 seats in parliament.

Combative Bhutto attacks Leghari

By Mark Nicholson and Farhan Bokhari in Islamabad

Ms Benazir Bhutto, Pakistan's ousted prime minister, yesterday vowed to fight her dismissal in the courts and launched a vituperative personal attack on President Farooq Leghari, who dissolved her government on Monday.

She accused him of having "kidnapped" Mr Asif Ali Zadari, her husband and former investment minister, who remained under detention yesterday. She called Mr Leghari's charges against her government "slanderous", "fabricated" and "malicious". "If he has done this for the national interest, and not for a lust for power, then let him resign," she said.

Ms Bhutto's defiant and combative first public appearance since her dismissal signalled clear intentions to wage a tough political fight to regain power.

She cast herself as the victim of a conspiracy planned by Mr Leghari, whom she alleged was "close" to ex-army elements who "want a soft Islamic revolution".

She also accused Mr Leghari of having "propagated" a financial crisis to undermine her government.

Ms Bhutto said she would launch legal action against both the dissolution of her government and the detention of Mr Zadari, whom she said was being held incommunicado. Her supporters also said they would take legal action against Ms Bhutto's "house arrest".

Mr Zadari, a controversial figure long the target of corruption allegations, was arrested on Monday night with four other senior officials.

The president had cited a litany of charges, including extra-judicial killings, widespread corruption and economic mismanagement in exercising a presidential power which has now been used four times in the last decade to dismiss elected Pakistani governments.

No formal charges have yet been laid by the newly installed interim government against either Ms Bhutto or Mr Zadari. Mr Irshad Ahmed Haqqani, the new information minister, said there was "something against" Mr Zadari and indicated charges might follow. Asked whether Ms Bhutto would face charges, he replied only: "Wait and see".

While Mr Zadari remained in "protective custody", Mr Haqqani said "no restrictions" had been put on the movements of Ms Bhutto. But he said Ms Bhutto must leave the prime minister's residence within 10 days and could not use it for "party meetings or processions".

Ms Bhutto said she had not decided whether her Pakistan People's party would contest elections set for February 3. But she said that elections under Mr Leghari would not be "free, fair or impartial".

Ms Bhutto also suggested that if the courts found against her it would betray a bias against politicians from smaller provinces such as Sindh, her political heartland. She referred to the fact that Mr Nawaz Sharif, the former prime minister from the politically powerful Punjab province, successfully won a court appeal in 1993 against a similar presidential dissolution of his Muslim League government.

TOUGH TIMES AHEAD FOR VIPs

Pakistan's two-day-old interim government yesterday aimed for a highly populist debut by immediately dismantling aspects of the "VIP culture" which cossets the country's governing elite, slashing ministerial salaries by half and announcing an end to e host of other privileges, write Mark Nicholson and Farhan Bokhari.

The nine-member cabinet, which has been formally granted a three-month tenure, characterised the move as part of an ambitiously crash programme akin to "remaking government". It said it would seek to cut the size of government and restructure it. The new ministers have been given the unlikely deadline of a week to find ways of cutting the bureaucracy "to suit a developing country such as Pakistan".

Mr Irshad Ahmed Haqqani, interim information minister, said the cabinet had also been given three weeks to examine semi-autonomous corporations under each ministry and recommend ways they could be merged, scaled down or wound up.

Mr Haqqani said the cabinet had also decided to ban all overseas medical treatment for bureaucrats and elected officials, limit ministers to the use of one official car only, ban first class travel for overseas visits and make ministers fly economy on domestic trips.

Saying the cabinet had "noted that the use of VIP lounges at airports has become an anachronism in an Islamic and democratic order", Mr Haqqani said all such lounges at Pakistani airports would be abolished and turned over for civil use. He said that "henceforth there will no government involvement in declaring anyone a VIP".

Though modest in substance, such moves are intended to set a crowd-pleasing "example of good government" following the dissolution of the Bhutto government, under which it said "mismanagement, inefficiency, nepotism and corruption had plagued the country".

China hopes Clinton's win will boost ties

A presidential visit to Beijing would stress US commitment to the region, **Tony Walker** writes

Mr Bill Clinton's resounding US election win will please few regimes more than China's, which has made no secret of its desire that the incumbent president be given a second term to build further on the recent improvement in Sino-US ties.

China's foreign ministry spokesman, offering Beijing's "congratulations", said "a good opportunity had presented itself for improving and expanding Sino-US ties". This neatly sums up official sentiment in Beijing and, it seems, in Washington. The two sides have made conspicuous efforts to stabilise ties since relations hit a post-1979 low in March over China's attempts to influence Taiwan's presidential election.

Beijing's missile firings into waters off Taiwan and the US deployment of two aircraft carriers in the area triggered alarm in respective capitals about a further deterioration of a relationship which both sides recognise as perhaps the most important in a post-cold war world.

Plans are going ahead for General Chi Haotian, China's defence minister, to visit Washington next month for an almost certain meeting with Mr Clinton. Vice President Al Gore is expected in China early in the New Year, and Mr Clinton himself may follow in 1998 as part of US attempts to stress its commitment to the region.

On a practical level, the yawning trade gap may prove in time to be one of the more contentious issues, since the trade gap in China's favour is outgrowing Japan's with the US. In 1995, the deficit was $33.8bn on two-way trade of $45.6bn. China's exports have increased 43-fold since 1980 while US exports have risen just three times.

> The two sides have made conspicuous efforts to stabilise ties since relations hit a post-1979 low in March over China's bid to influence presidential polls in Taiwan

In the first eight months of this year, the gap continued to widen, with China's exports to the US rising 8.3 per ceot to $31.7bn while US exports remained static. Congress seems likely to pay closer attention to this trend.

Beijing's argument that US customs statistics distort the picture because re-exports through Hong Kong are included will carry less weight after the colony's return to mainland control on July 1, 1997.

Since a meeting in Washington in March between Vice-Minister Liu Huaqiu, Beijing's national security adviser, and Mr Tony Lake, his US counterpart, relations have gradually improved, with increasingly frequent high-level exchanges, including several meetings between respective foreign ministers.

Plans by Mr Warren Christopher, secretary of state, to visit Beijing later this month – his last visit in 1993 was mired in argument over human rights – will provide an early indication of a likely further improvement in relations in Mr Clinton's second term.

Mr Christopher and Mr Qian Qichen, China's foreign minister, have been at the centre of efforts this year to restore equilibrium to the relationship, and their meetings will be part of a continuing process.

They will also be preparing for this month's Asia Pacific Economic Co-operation (Apec) summit in Manila, at which Mr Clinton and China's President Jiang Zemin will bold private talks heralding a possihle new era in Sino-US ties.

Beijing hopes for more regular high-level dialogue now Mr Clinton need be less concerned about possible domestic political fallout over such issues as human rights and Tibet. China has been pressing for a state visit to Washington by President Jiang; it seems this will take place in the first half of next year.

As a western official in Beijing said of US recent policy towards the region: "In the last 6-9 months the Americans have been much more focused oo Asia and China in particular, and this will seep through into the second Clinton term."

Sino-US efforts to build a more constructive relationship may well be reflected in a stronger push in the New Year to bring China into the World Trade Organisation.

Beijing's agreement, at Washington's urging, to a "standstill" on new laws or policies inconsistent with WTO principles is widely regarded as a positive step towards accession.

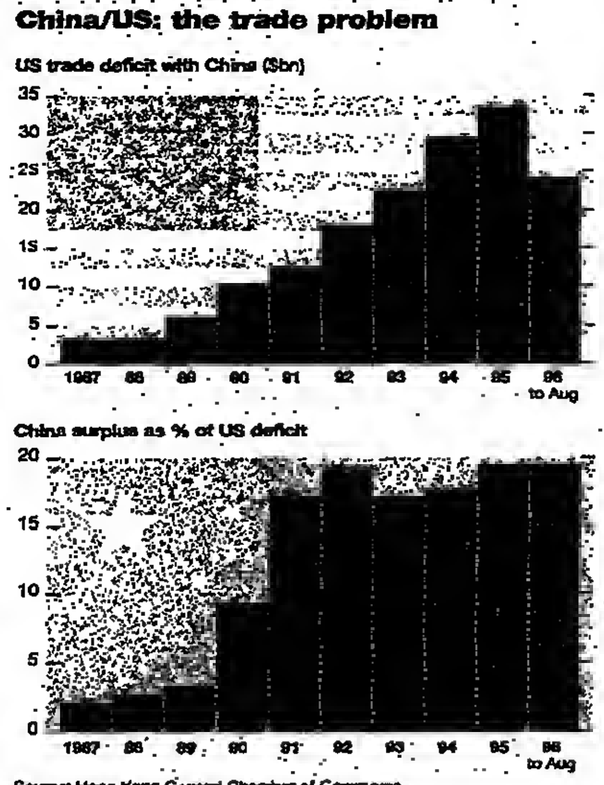
Greater harmony should also help to advance Apec initiatives on trade liberalisation, regional economic and technical co-operation, and human resources development; the latter is close to Beijing's heart since China is anxious to find region-wide employment opportunities for its citizens.

Despite positive signs for Sino-US ties, relations are certain to continue to be buffeted from time to time over such "perennials" as human rights, intellectual property rights, arms proliferation, Chinese concerns about a US-Japan security axis, Taiwan, Hong Kong and the trade gap.

China's internal politics, with its overlay of increasing nationalism, may also prove a burden on relations. China is involved in a difficult political transition to a new generation of leaders to replace the ailing Deng Xiaoping.

Like Mr Clinton, President Jiang is running for office and cannot ignore domestic pressures, including nationalistic elements who believe Beijing should more firmly rebuff US pressures.

China/US: the trade problem



Source: Hong Kong General Chamber of Commerce

Hardliner takes over as S Korea foreign minister

By John Burton in Seoul

South Korea's foreign minister has resigned amid press reports that he had been drafted into the North Korean army during the Korean war before defecting to South Korea.

Mr Gong Ro-myung, foreign minister since 1994, has been replaced by Mr Yoo Chong-ha, the presidential adviser for national security and a hardliner on North Korea.

Mr Gong announced his resignation on Tuesday evening, citing health problems, but the explanation was met with scepticism.

Mr Gong resigned as the government launched a new campaign against official corruption following the recent sacking and arrest of Mr Lee Yang-ho, defence minister, on bribery charges.

The opposition has also pointed to allegations that recent personnel appointments in the foreign ministry may have involved corruption. A presidential spokesman denied any wrongdoing by Mr Gong.

But some analysts believe Mr Gong may have heen forced out as a result of a dispute between the foreign ministry and President Kim Young-sam over North Korean policy.

Mr Kim has adopted a hardline policy against Pyongyang since the incursion of a North Korean submarine in September, while the foreign ministry has favoured a more moderate approach, backed by the US.

Mr Yoo is considered to have been influential in persuading the president to take a tougher attitude against North Korea.

The appointment of Mr Yoo, a former ambassador to the United Nations and the European Union, could further strain Seoul's relations with its US ally.

Relations between Seoul and Washington have deteriorated recently because of a rift over policy on North Korea, with the US favouring cautious engagement with Pyongyang.

However, Mr Yoo is credited with reaching an earlier compromise with the US on North Korea by supporting a proposal for four-party talks involving the two Koreas, the US and China.

The proposal, offered in April, is meant to encourage North Korea to resume political dialogue with South Korea by offering Pyongyang the possibility of closer ties with the US. North Korea has not yet responded to the proposal.

ASIA-PACIFIC NEWS DIGEST

Cabinet changed in Vietnam

The Vietnamese cabinet was reshuffled yesterday with new appointments announced for the finance, foreign investment and trade portfolios. The shake-up is not likely to portend any great shifts in policy, given the highly consensus-oriented nature of decision-making in Vietnam and the fact many of the ministers are stepping up from tbe number two position in their organisations.

The finance minister will be Mr Nguyen Sinh Hung, until now deputy finance minister. The minister of planning and investment will be Mr Tran Xuan Gia, promoted from number two in the department.

One economic-related surprise is that Trade Minister Le Van Triet will retain his post. It had been expected he would step down. Mr Le Minh Huong will head the powerful interior ministry – again a promotion from being a deputy minister. *AP-DJ, Hanoi*

Australia losing Asian market

Underlying lack of competitiveness has caused Australia to fall behind other centres in winning a share of the Asia-Pacific region's growing financial services business, a government-commissioned report claimed yesterday. The report, commissioned by the Department of Industry and overseeo by Mr Vince Fitzgerald at the Allen Consulting Group, says Australis has lost significant share to Hong Kong and Singapore over 15 years.

A survey of financial services suppliers found only 6t per cent gave Australta strong endorsement as a financial centre, against 84 per cent for Hong Kong and 81 per cent for Singapore. The report notes that Australia "over-uses financial transaction taxes"; that its foreign investment funds tax regime raises barriers to entry into its fund management industry; and that it has only belatedly adopted an offshore banking unit regime, still complex and uncompetitive with Singapore's. *Nikki Tait, Sydney*

Death for Chinese bank chiefs

Two senior Bank of China managers were sentenced to death by a court in China's southern Guangdong province yesterday for misappropriating Yn710m ($86m), court officers said. Feng Weiquan and Chi Weiqi, section chief and deputy section chief of the bank's branch in the city of Zhongshan, were given the death penalty by the city's Intermediate People's Court, with Chi's sentence suspended for two years. The prosecution said the defendants had misused a reserve fund of the bank's Great Wall credit card. *Reuter, Macao*

Opposition leader demands a re-think of investment policy

Thai compulsory savings urged

By Ted Bardacke in Ubon Ratchathani

General Chavelit Yongchaiyudh, a favourite to hecome Thailand's next prime minister, says a netionwide compulsory retirement savings scheme and curtailing investment would be the cornerstones of bis attempt to solve tbe country's chronic current account deficit and restore internstional confidence in the Thai economy.

A national savings plan would collect Bt600hn ($23.5hn) in the first year alone and raise the national savings rate to 40 per cent of gross domestic product, he said, thus limiting the country's seemingly insatiable appetite for foreign capital.

At that rate, Thailand would still have a savings-investment gap. Gen Chavalit, leader of the New Aspiration party, said this could be minimised by rethinking the country's investment push, which has been the main force behind record economic growth hut has been fraught with difficulties in some sectors.

"We have to stop putting up projects of very low or no economic return," Gen Chavalit said in an interview aboard his campaign bus along the hack roads of north-eastern Thailand. "We've always been thinking we're going to be the next Aslan economic tiger hut we're still a long wey from that. We have to come back to reality."

This idea contrasts sharply with some of the economic ideas put forward by the Democrat party, the other main contender in the November 17 election, which has said better liquidity and lower interest rates can immediately revive the economy.

Gen Chavalit said every available short-term measure to boost Thailand's sagging export growth would be considered hy a team of qualified experts, led by Mr Amnuay Viravan, a former hanker and former deputy prime minister.

The experts, who would not necessarily include MPs, would be appointed to the ministries of finance, commerce, industry, transport and foreign affairs, he added.

He admitted that reserving such ministries – among the most lucrative for politicians trying to reap benefits from ministerial posts – for non-politicians might make it hard for him to form a coalition and keep it together.

Political parties that wanted to join a New Aspiration-led coalition would have to pledge to support the party's policy goals. New Aspiration would take charge of the economy, while the responsibilities of other parties would be divided up by issue, such as social, education and labour.

"Forming e coalition by simply counting up numbers won't happen any more. We are really concentrating on this point," he said.

Sri Lanka to legalise gambling

By Amal Jayasinghe in Colombo

Sri Lanks yesterday announced plans to legalise gambling, including casinos, as part of new revenue-raising measures in 1997's budget to meet rising defence spending and a worsening hudget deficit.

Unveiling his proposals for raising revenues for next year's budget, Mr G.L. Peiris, deputy finance minister, told parliament the gambling parlours would he open only to foreign nationals and supervised hy the Ceylon Tourist Board.

Sri Lanka banned casinos in 1990. Before the han, casinos were patronised by Sri Lankans and foreigners. After 1990, some casinos and betting centres for overseas horse races continued operating illegally.

Mr Peiris said he hoped next year to raise licence fees amounting to SLRs450m ($7.9m) from an estimated 90 gambling parlours already functioning or to be set up.

Casinos are also seen as a attempt to attract tourists, particularly from the Far East, in a move to revive the tourism industry, which has suffered a 30 per cent drop in arrivals this year.

Mr Peiris said the government projected gross domestic product would grow by just over 5 per cent in calendar 1997, after growth slowed to 3.7 per cent this year because of a severe drought and resultant power shortages which hurt industry.

The hudget deficit this year was estimated at 9 per cent of GDP against an original target of 7.8 per cent. It was aimed to keep it under 8.8 per cent next year. Average annual inflation for 1996 was expected to be 15 per cent, compared with last year's 7.7 per cent, because of higher defence spending.

The minister announced higher import duty concessions to exporters, raised income tax thresholds marginally, and raised by 10 per cent the price of liquor and excise tax on vehicles.

The government would give 100 per cent exemptioo of duty and taxes on imports of capital and intermediate goods to exporters who export over 50 per cent of output.

Exporters witb adequate foreign exchange exposure would be allowed to borrow overseas.

Divestiture revenue for this year had been revised from SLRs21bn to SLRs10bn. Sri Lanka's foreign reserves remained good at $2.5hn, equal to five months' imports; the country's main export commodity, tea, was benefiting from firm prices.

East Zaire conflict raises spectre of Kinshasa coup

The Rwandan-backed uprising could trigger disintegration of a country, writes Michela Wrong

Like the aftershocks that follow an earthquake, the conflict in east Zaire is sending tremors across the huge central African nation, raising the spectre of a coup by the humiliated army and the overthrow of Kinshasa's civilian government.

Since a Tutsi-dominated force backed by Rwanda started advancing across Kivu in eastern Zaire last month, the analysts have warned that the crisis, by exposing the fragility of ailing President Mobutu Sese Seko's hold on power, risked triggering the country's disintegration.

Their doomsday predictions are looking increasingly realistic. Recent events suggest this mineral-rich state could soon return to the chaos of the post-independence era, when squabbling paralysed the government, the anarchic military repeatedly seized power and restless provinces tried to break away.

In the past few days there have been strong signs thet Mr Kengo Wa Dondo, the prime ministsr.iong regarded as the best hope for halting Zaire's dramatic economic slide, could be toppled by a bizarre combination of forces.

A quarter Tutsi, he has fallen foul of the xenophobia sweeping the capital. More than 500 terrified Tutsis have sought the safety of neighbouring Congo as youths have looted Tutsi-owned enterprises. Defying a ban on demonstrations, hundreds of students on Tuesday drove through Kinshasa in trucks, calling for Mr Kengo to resign.

The protests coincided with criticism of the government by General Eluki Mongo Aundu, army chief of staff. Although Mr Kengo is not responsible for defence, the general recently accused his administration of not giving the army the means to fight the war in the east.

He also implicitly criticised Mr Mobutu, acknowledging that his long absence in Switzerland for cancer treatment had contributed to the crisis.

The ominous statement immediately raised fears that the army, which seized power twice after independence from Belgium, was preparing another takeover, spelling an end to the country's six-year transition to multi-party democracy.

It also suggested the chief of staff, one of several generals from Mr Mobutu's Ngbandi ethnic group who are eyeing the succession, had decided publicly to throw his hat into the ring.

That sets the stage for battles for supremacy between sections of the military. The anarchic armed forces are already bitterly divided, as was shown all too clearly in 1993 when elite troops shot dead regular soldiers rioting in Kinshasa over pay.

In the face of the attacks on the premier, the opposition has signally failed to spring to Mr Kengo's defence.

Although popular with western governments for his attempts to institute financial transparency and stop the central bank's relentless printing of notes, the premier is disliked by much of the political establishment.

The Union for Democracy and Social Progress (UDPS) party led by Mr Etienne Tshisekedi, the veteran opposition leader, has called for Mr Kengo to be arrested and court-martialled for alleged treachery.

A spokesman said the UDPS was in contact with Mr Mobutu's political supporters and the two ware ready to set np a government of national unity and agree on an interim presidential successor, were Mr Mobutu to die.

But those familiar with Zaire's politics know the two groups are unlikely to find any middle ground and that such an outcome risks sentencing the country to the endless political bickering that led many citizens to greet Mr Mobutu as a saviour when he seized control in 1965.

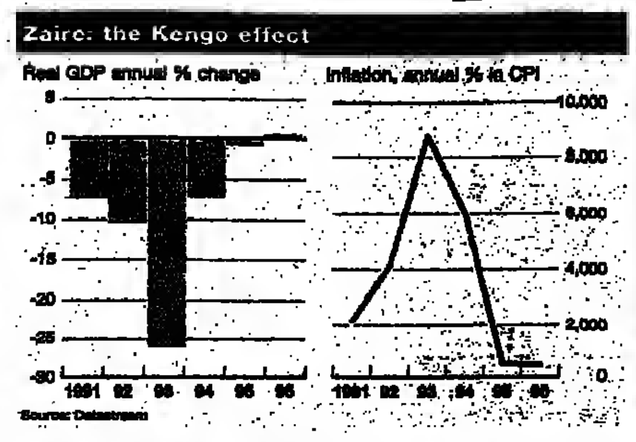
How much further the insecurity spreads partly depends on Mr Mobutu, who has now flown to the south of France and says he plans to return to Kinshasa imminently. He could put paid to the current frantic manoeuvring by simply naming a successor and expressing his confidence in Mr Kengo.

But it also depends on the ambitions of the Alliance of Democratic Forces for the Liberation of Congo-Zaire, the group that has seized control of Kivu. Thought at first to be a purely Tutsi force propped up by Rwanda, it has of late emerged as a complex movement embracing a variety of ethnic groups from across Zaire.

Tha rebels say their followers come from both the diamond-rich province of Kasai, which has strong secessionist leanings, and Shaba. That is particularly worrying as the copper and cobalt-rich southern province, repeatedly embroiled in wars of secession, has been agitating for autonomy again.

The alliance's spokesman in the south, Mr Laurent Kabila, is an apostle of Mr Pierre Mulele, a Marxist revolutionary who battled Mr Mobutu's regime in the 1960s. Its representative in the north, Commander Kasase, is a Kasaian guerrilla who has been on the run for more than a decade. Neither is Tutsi.

Both men, well into their 50s, have been waiting for years for the opportunity to deal a fatal blow to Mr Mobutu'a rule. Zaire's future as a state may now depend on their capacity to spread thet message beyond the confines of Kivu to the rest of a fractured nation.



A Rwandan boy walks through a refugee camp near Giseny near the Zaire border Reuter

Bid to revive E Africa link-up

By Joel Kibazo and Antony Goldman

East African ministers meeting in London yesterday pledged to improve investment opportunities and work towards lower tariffs as part of efforts to revive regional economic co-operation.

At a seminar sponsored by the Financial Times and Standard Chartered Bank, Baroness Lynda Chalker, UK overseas development minister, said Britain supported the creation of 'East Africa Co-opcration' last March. "This process signals a fundamental shift towards the mutual confidence required to promote stability in the region," she said.

According to Mr Musalia Mudavadi, the Kenyan finance minister, co-operation between his country, Uganda and Tanzania should pave the way for closer links across eastern, central and southern Africa: "The culmination of the process now under way is to integrate our region into a larger African economic market of 300m people."

Responding to criticism that Tanzania lagged behind its neighbours in opening its economy fully to foreign interests, Mr Jakaya Kikwete, the foreign minister, said his government would reconsider its recent decision to ban foreign investors from the new Dar es Salaam stock exchange, scheduled to open next month. "It is time," he said, "for governments to govern and for business to do business."

Many delegates, however, urged the three governments to make faster progress in integrating their economies, identifying the region's poor transport, energy and telecommunications infrastructure as obstacles to investment. "These fine speeches are all very well," said one delegate, "but what we need and are still waiting for is action on the ground."

Comedian fails to amuse Israel's Orthodox rabbis

Judy Dempsey on a controversy which exposes deep social divisions

Ultra-Orthodox rabbis, grouped in the United Torah Judaism party in Mr Benjamin Natanyahu's Likud-led coalition government, hava baan campaigning for months to close Bar-Ilan Road, a main artery running through Jerusalem, to traffic on the Sabbath. They are also campaigning to have Mr Gil Kopatch, a popular comedian, taken off the air.

The rabbis have been members of previous govsrnmants, determined to have their views represented by whichever party is in power. Sinca soma Likud members bave criticised the left-leaning media, the rabbis hope their campaign against Mr Kopatch may be successful.

For the past three weeks, each Friday night, the comedian has baan giving a setirical interpretation of the weekly Bible reading recited in synagogues. The ultra-Orthodox rabbis claim they have the monopoly over the interpretation of the Torah, or Bibie. Thay want tha Israali Broadcasting Authority (IBA), the state-run talavision and radio natwork, to taka away Mr Kopatch's slot.

> The comedian has been giving a satirical interpretation of the Bible. The rabbis claim they have a monopoly over the interpretation of the Bible

"This amounts to a cultural war," said Mr Zvi Lidar, the IBA's spokesman. "It is a conflict between freedom of speech and censorship; about the seculars challenging the ultra-Orthodox exclusive monopoly over the interpretation of the Torah; about the divisions between the seculars and the ultra-Orthodox."

To make the Torah accessible, Mr Kopatch uses slang and street language. And since the majority of Israeli Jews have neither the time or commitment to study the Torah full time – unlike tha ultra-Orthodox who are paid by the state to do nothing else – the IBA and Mr Kopatch believe his show is fulfilling a need.

"I am e Jew. A believing one," said Mr Kopatch who appeared before the edncation committee of the Knesset which met yesterday to discuss tha issue. "The Torah is a great and important thing in my ayes. This programme tries to bridge the terribie gap between the secular and religious."

Mr Shmuai Haipert, a pariiamentary deputy and member of United Torah Judaism, disagreed. He told ths IBA "to make some order. If somsone offended Mobammed or Jesus, everybody would be angered. Of course there is free speech and democracy but democracy is also supposed to hinder anarchy," he argued.

Ths IBA has been swamped with faxes of support from secular Israaiis after they beard tbe ultra-Orthodox rabbis wanted to muzzie Mr Kopetch. But the rabbis have backing from Mr Avigdor Leiberman, director of Mr Netanyahu's office.

Mr Leiberman suggested earlier this week that Mr Kopatch had committed a crime. Ms Dalia Itzik, a member of the opposition labour party, accused Mr Leiberman of "placing himsalf as tbe chief censor on ths frsedom of expression in Israel."

Mr Lidar said tha prime minister had the final say. "I don't know what he will do."

NEWS: CLINTON'S VICTORY

Republican party weighs co-operation or conflict with another Democratic White House

Clinton: back him or bash him?

US ELECTIONS November 5

Republicans awoke yesterday relieved to have maintained their hold on Congress – but not yet certain what they would do with it. With tbe Senate race in Oregon still too close to call, they gained at least one seat in the upper body, where the edge had been 53-47. Republicans lost 5-10 seats in the House, where the majority had been 235-197. All but a dozen of the party's once-militant freshman were returned. Many had close calls and only appeared to have avoided electoral disaster by scurrying to the political centre at the end of the last congressional session.

Exit polls showed Mr Newt Gingricb, House speaker, to be still deeply disliked. His "Contract with America" will no longer set the agenda – 60 per cent of it has been implemented, and the rest – such as a proposed rollback of environmental regulations – nearly undid the majority.

Yesterday the Speaker sounded conciliatory and low-key, saying Republicans had an obligation to "reach out" to the re-elected president. He said Mr Clinton had campaigned – and won – on traditionally Republican issues such as balanced budgets, tax cuts and opposition to illegal drugs.

Mr Gingrich has heen known to change his mind, and the determination of many congressional memhers to investigate alleged presidential misdeeds, beginning with the Whitewater affair and extending to campaign finance, may come to dominate the agenda.

Mr Trent Lott, the Senate majority leader, was once considered a conservative of the far right. But that was before the 1994 lurch right on the political spectrum, when Congrsss fell to the Republicans. In comparison with the firebrands in the Houses, Mr Lott looks almost moderate.

"If the president comes to us and wants to do the things he talked about in the campaign, we can do business, and the American people will be tha beneficiaries."

Nonethaless, there will be congressional skirmishing over tax cuts and gruelling work ahead as both parties seek to come to grips with soaring healthcare costs and cuts in health benefits for the elderly. The president has promised targeted tax cuts to help pay for college tuition and technical training, and, since education turned ont to he snch a prominent campaign issue, he may get a deal.

Conservatives continued to make a strong showing in the congressional races, but Senator Paul Wellstone - often called the most liberal man in the Senate – was returned. So were veteran Republican conservative senators such as Mr Robert Smith of New Hampshira and Mr Jesse Helms of North Carolina. Louisiana elected its first woman senator, Democrat Mary Landrieu, a Catholic but liberal on abortion, over a Christian conservative.

As so often in the past, most incumbents – all but one senator – won. They are helped by the flood of campaign contributions which comes thair way. This year it was estimated that office holders had seven times more to spend tban their challengers.

Voters expressed deep revulsion on the the spending issue, negative tactics and the avalanche of adverts which disrupted thsir television viewing. Senator John Kerry of Massachusetts edged out a strong challenge from Governor Bill Weld after the latter turned to negative attacks. A vicious slugging match in New Jersey resulted in the election to the Senate of Congressman Robert Torricelli, who voters said in exit polls had been a shade less offensive than his opponent.

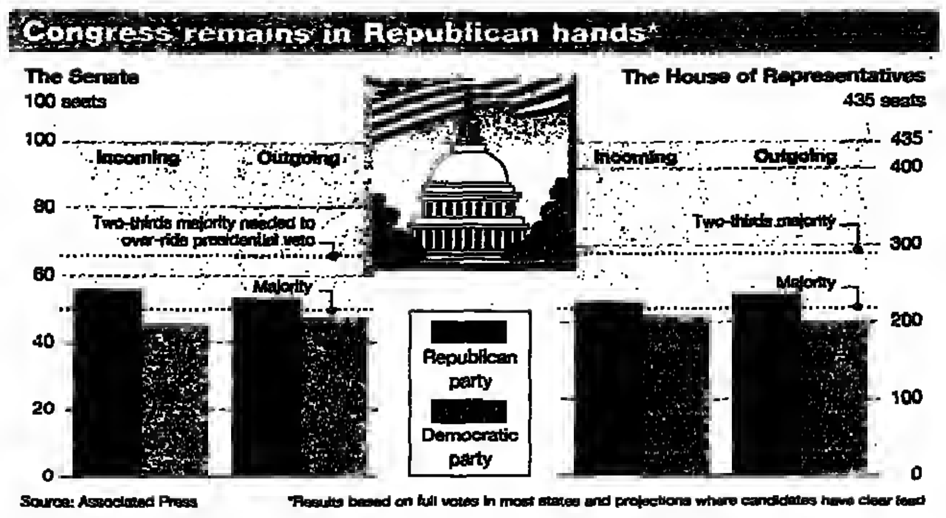
Both parties have promised campaign financa reform. They have been promising it for years, but have never been ahle to give up the advantages of incumbency in attracting big money. Next year when Republicans investigate foreign contributions collected by the Democratic National Committee, as they have vowed to do, it may be more difficult to avoid reform.

Ths National Rifle Association was successful in getting many pro-gun House candidates returned, but support for gun control also helped in some races.

The absence of clear ideological trends was most noticeable in govarnorsbip races. Democrats won seven of the 11 races, including three of four open seats.

Nancy Dunne

Congress remains in Republican hands*



Source: Associated Press *Results based on full votes in most states and projections where candidates have clear lead

California voters opt to bring end to racial quotas

By Gerard Baker in Washington

The state of California may nn longer be able to bire employees, award contracts to companies or grant admission to its colleges and universities on the basis of racial preferences.

But the state's residents could be permitted to use marijuana for medicinal purposes as a result of state referendums on Tuesday. The decisions, however, may be subject to legal challenge.

California's voters backed by a big majority proposition 209, a call to end the policy of affirmative action through racial quotas. They also supported proposition 215, which approves the use of marijuana for those suffering from diseases such as Aids and cancer.

By an even bigger margin, they rejected proposition 211, which would have made it easier for investors to sue individuals for making false statements about a business or failing to disclose information affecting a company's shares. Companies are estimated to have poured over $35m into the campaign to beat 211, an investment that paid off.

California's initiatives have in the past often been the trigger for subsequent nationwide policy shifts, but there was little evidence from Tuesday's votes of a consistent trend in popular preferences across the country. Different states took radically different stands on issues ranging from environmental protection and gambling to increases in the minimum wage and taxes.

One issue that got widespread support, however, and one likely to be a national topic in the next year or so was campaign finance reform. Arkansas, Colorado and Nevada passed limits on campaign contributions and the voters of Maine, in addition to backing a proposal to tighten such limits, also approved taxpayer funding for candidates who refuse special interest contributions altogether.

Voters in Florida, Idaho, Maine and Montana and Oregon rejected measures that would have stiffened environmental protection laws. But the people of New York supported a $1.75bn bond issue for various projects including the cleaning of Long Island Sound.

Several states banned the bunting of wild animals, though voters in Alabama backed an amendment to their constitution making honting a protected right.

Gambling was extended in Louisiana and Arizona, but restricted in Arkansas and Colorado.

In California and Oregon, proposals to raise the minimum wage were approved, while in three other states similar measures were rejected. Idaho and Nebraska rejected proposed limits on property taxes, but the voters of Florida amended their constitution to require the approval of a two-thirds majority in a statewide referendum before new taxes can be levied.

New kids on the White House block

Jockeying for position in the new Clinton cabinet has already begun as leading actors prepara to leave centre US political stage.

In addition to departures from the departments of state, defence and trade, one of Mr Clinton's closest confidants, Mr George Stephanopoulos, is expected to leave the White House in the New Year. A Clinton eminence grise for the last half decade he confessed to feeling "burned out" after five hectic years.

Mr Leon Panetta, the president's chief of staff, budget negotiator and disciplined political professional, is thought to be bankering for bis native California. He could run for state governor in 1998, for whicb he would need time to prepare.

He could be succeeded by Mr Harold Ickes, now his deputy, or Mr Erskine Bowles, also once a Panetta subordinate and now involved in investment banking back in North Carolina. Mr Jack Quinn, the president's legal counsel and formerly vice-president Al Gore's right hand, is another name to watch.

The future of Mr Tony Lake, the national security adviser, is shrouded in mystery. If he goes, possible replacements include Mr Strobe Talbott, now deputy secretary of state but not a realistic contender for the top job, Mr Sandy Berger, currently NSC number two, and, less likely, Mr Richard Holbrooke, chief architect of the Bosnlan peace accords.

The economics team may change less than most. Mr Robert Rubin is unassailable as treasury secretary and loves his job, as does Mr Robert Reich, labour secretary, although he could switch portfolios.

The security of Mr Rubin's tenure may be a source of frustration for Mr Larry Summers, his aggressive number two, and Ms Laura D'Andrea Tyson, running the national economic council out of the White House. Both could move on, conceivably in the cabinet.

Foreign and defence policies will change hands. Mr Warren Christopher, secretary of state, announced his resignation today, but he is likely to stay in office until after Mr Clinton's inauguration. Mr William Perry, defence secretary, will also go too. Highly regarded by his peers he has a family longing to go back to California, hut he has set himself an agenda for the new year that could keep him in the Pentagon for several more months.

Mr John Deutch, now head of the CIA and previously Mr Perry's number two, was once seen as the logical replacement hut his star has not risen at the agency. Senator Dick Lugar, the Republican from Indiana, could be tapped.

The oft-criticised Mr Christopher has some unfinished business to attend to, notably in his specialities, the Middle East and Nato expansion.

The leading candidate to succeed him had been Mrs Madeleine Albright, the blunt and forceful amhassador at the United Natlons. The Clintons would undouhtedly like to appoint the first woman as "vicar" of foreign policy, and Mrs Alhright gets on well with Mrs Hillary Clinton.

But she may have blotted her copyhook hy misbandling the administration's attempt to force out Mr Boutros Boutros Ghali as UN secretary-general. This has left the US with a nasty diplomatic headache and herself unpopular witb state department hureaucrats.

Alternatives include the usual round of frequantly mentioned candidates, such as Mr George Mitchell, former senator and Northern Ireland negotiator, retiring Senator Sam Nunn of Georgia and possibly Senator Lugar or former General Colin Powell, who was sounded ont about the job in 1994.

Choice of an attorney-general is perbaps the most sensitive one confronting tha president, given the multiplicity of legal and ethical allegations against him, his wife and past and present members of his administration.

Although she is suffering from the early stages of Parkinson's disease and is not considered to possess a distinguished legal mind, Ms Janet Reno has an aura of rock-rihbed integrity ahout her, if not to partisan Republicans, and would like to stay on.

That could prove a useful shield for the president. The hard-nosed and intensely political Mr Mickey Kantor, now commerce secretary, had heen considered an alternative, but yesterday he also announced he wanted to leave government. Ms Jamie Gorelick, now numher two at justice, cannot be ruled out for the role. Sbe could also go to the CIA should Mr Deutch leave.

Of other existing cabinet members, Ms Hazel O'Leary, under fire for ber extensive travels as energy secretary, and Mr Federico Peña at transport seem tbe most probable departures. Mr Bruce Babbitt, the interior secretary, wnuld quickly leave if offered the next Supreme Court vacancy.

Mr Henry Cisneros would like to remain at housing, but could be amenable to a switch. That is true, too, for Ms Donna Shalala at health and human services and Mr Richard Riley at education, though neither will lack for competing private sector offers.

Possible cabinet newcomers include Mr Bill Daley, younger brother of the mayor of Chicago and engineer of the administration's drive to pass Nafta legislation, Congressman Bill Richardson of New Mexico, and even former Senator Tim Wirth from Colorado, disappointed in the last cabinet round but proving surprisingly durable as under-secretary of state for global affairs.

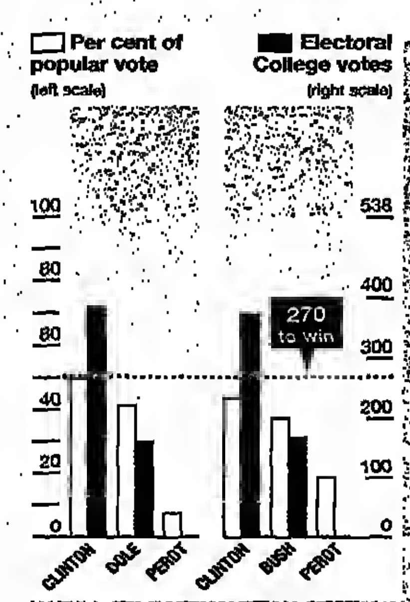
But, in the final analysis, the composition of all the president's men and women often defies the guessing gams. That is particularly the case when the president is called Bill Clinton, possessed as he is of vast and concentric circles of contacts, and when his mission for a second term is as yet imprecisely defined.

Jurek Martin

Clinton's march back into the White House

50 states plus Washington DC = 538 Electoral College votes

GRAPHIC BY BRANA RADOVIC, SOURCE: AP, NANCY McCORD



The West

Clinton swept the Pacific Coast, with California readily delivering its 54 electoral votes. He even carried Arizona, which had not voted for a Democrat since the re-election of President Harry Truman in 1948. Dole carried the libertarian-leaning states of Idaho and Utah, as well as Montana, Wyoming and Colorado. Bucking a "family values" tide, Washington state elected an urban liberal Chinese-American governor, who supports homosexual rights.

ELECTORAL VOTES: [illegible]
ELECTORAL VOTES: 23

The Midwest

Dole carried his native Kansas and neighboring Nebraska plus the two Dakotas. But Clinton won in vote-rich Illinois, Ohio and Wisconsin, as well as in Minnesota and Iowa. The only incumbent senator to lose anywhere in the country was Republican Larry Pressler of South Dakota. Democratic senators held four seats and the Republicans held three. Democrats recaptured Congressman Dan Rostenkowski's old seat in Chicago.

ELECTORAL VOTES: 100
ELECTORAL VOTES: 29

The South

Republicans continued to make inroads, although southerners Clinton and Gore managed to carry Arkansas, Louisiana, Tennessee, Kentucky and Florida, the latter a big prize. Republicans gained two Senate seats, left open through retirement, in Alabama and Arkansas. Democrat Mary Landrieu edged out her challenger in Louisiana to become the first woman senator from the state, retaining a longtime Democratic seat. Two House Republican freshman lost seats in North Carolina.

ELECTORAL VOTES: 59
ELECTORAL VOTES: 104

The East

A 12-state sweep for Clinton, which could have only helped in the tough race that saw the re-election of Senator John Kerry of Massachusetts against the popular incumbent governor, Republican Bill Weld, and in the Senate victory of Robert Torricelli against Republican Dick Zimmer in New Jersey. Clinton's sweep appears to have hurt three freshman House Republicans, who lost in New York, New Jersey and Maine.

ELECTORAL VOTES: 127
ELECTORAL VOTES: 0

Deep-rooted economic fears loom over second term

The swing in the public's mood on the economy was one of the remarkable stories of this election year, argues **Gerard Baker**

In the end, it was a hopelessly uneven contest. It was not so much Mr Bill Clinton's superior rhetorical skills, his obvious charm and youthful vigour, nor even the appeal of his ideas that made it so. The key to the election, as it had been in 1992, was how voters saw the economy.

Mr Clinton was the beneficiary – and, he would argue, the begetter – of a confluence of favourable economic conditions almost unique in the past three decades of presidential contests. In the four years of his first term, the US economy has expanded in all but one quarter: unemployment dropped to a 30-year low, inflation was at its lowest for a decade.

"Are you better off today than you were four years ago?" was Mr Clinton's repeated campaign question to voters, consciously echoing Mr Ronald Reagan's case for re-election in 1984. The answer was a clear Yes.

According to exit polls taken on Tuesday, 33 per cent of voters thought they were indeed better off than they had been in 1992; only 20 per cent said they were worse off. Some 56 per cent felt the economy was in excelient or good conditinn.

The picture of a country serenely enjoying economic prosperity at home and peace abroad is usually an irresistible invitation to back the incumbent, and 1996 bas been no exception.

And yet the remarkable story of this election year is that, just a few months ago, the voters' mood was markedly different.

> In pursuit of profits, big US corporations were ritually culling jobs

Last winter and in spring the country seemed gripped by a vicious outbreak of economic insecurity.

In pursuit of greater profits, big US corporations were engaged in a ritual culling of jobs, dubbed the "downsizing of America".

Increasingly competitivs international markets were forcing down wages as huge redundancies heightened fears about the future.

Consumer confidence fell to a two-year low in January and a clear majority of Americans believed the country was on the wrong track.

The anxiety alarmed politicians. In the Republican primaries in February and March, Mr Pat Buchanan's "peasants with pitchforks" threatened to overrun the establishment with their message of "America First" economic populism. The president himself talked nervously of an outbreak of "funk".

What happened to transform the popular mood in not much more than six months?

Part of the answer is probably tbat the angst was overdone. Consumer confidence, though it dipped at the start of 1996, remained well above levels usually seen in recessions, and most people never even came close to being victims of downsizing.

But there has also been a marked improvement in economic conditions this year.

The recovery that hegan before Mr Clinton took office slowed sharply last year as higher interest rates in 1994 began to bite. But the Federal Reserve's easing of policy at the start of the year has helped the economy pick up speed again in 1996.

Last year growth was a flat 2 per cent; in the second quarter of this year it accelerated to 4.8 per cent. The unemployment rate has fallen from 5.8 per cent in January to 5.2 per cent last month.

The electoral timing of the current upswing could not have been better for ths president. If the election had been held a year ago, the result would probably bave been different.

Yet the critical point for the second Clinton term is that there is little sign last year's improvement has done much to assuage the longer-term anxiety about America's economic prospects, an issue which has dominated dsbate throughout the 1990s.

In 1992 and 1994 "voter rage" threw out incumbent presidents, senators and congressmen. A large part of the dissatisfaction was attributed to the long-term under-performance of the US economy. Real disposable incomes have been largely stagnant for nearly two decades; productivity growth has been lacklustre.

> Federal Reserve's easing of policy has helped the economy pick up speed again

For all the successes of tbe past four years, even in the recession-free first Clinton term, the expansion was unspectacular compared with long-term rates of growth. The same exit polls that demonstrated short-term optimism on Tuesday also revealed deep fears about the longer-term future.

Slightly more than a third of voters believe their children's real incoms will ultimately be lower than their own, one third think it will remain the same and just 30 per cent of voters believe their offspring will enjoy a higher standard of living.

And to that unusually pessimistic view will be added in the next few years growing concern about looming pressures on the US economy as a whole. These include the inevitabls fiscal crunch from the rising cost of entitlements; a deteriorating education system that threatens to depress productivity further; and the real risks of urban disintegration from the plagues of drugs and crime.

Mr Clinton has been unusually fortunate. The economic cycle has worked in his favour in two elections, enabling him to oust an incumbent in one and to cruise to re-election in the second. It is probably his further good fortune that be will not get the chance to prove himself a third time.

Rebuke for US on share freeze

By Kenneth Gooding, Mining Correspondent

An Ontario court has released US$152m worth of shares owned by Mr Robert Friedland, the international mining entrepreneur, that were impounded in August at the request of US authorities.

The court criticised the US authorities for failing to disclose all relevant, material facts and ordered the US to pay Mr Friedland's costs. The US authorities must decide by late tomorrow whether to appeal.

At previous hearings the US authorities said the shares would cover the cost of cleaning up the Summitville gold mine in Colorado owned by Gallactic Resources, a company which Mr Friedland launched in Vancouver and where initially he was both chairman and chief executive. Summitville closed in 1991 and Gallactic was declared bankrupt shortly afterwards.

It is believed this was the first time the US authorities froze assets abroad to cover environmental clean-up costs.

The shares represented a third of those Mr Friedland received from the C$4.3bn (US$3.2bn) takeover of another of his companies, Diamond Fields Resources, by Inco, the world's biggest nickel producer.

The Ontario court also ruled that the US had failed to make out a case to show Mr Friedland was liable under US environmental law for the costs of remedial work at Summitville.

Mr Friedland filed an affidavit in September which said his interests were severely damaged by the freeze on the shares, which he needed as security to finance business opportunities. He said from his Singapore office yesterday that he would study the full text of the judgment before deciding on any further action.

Islands thorn in UK-Argentine side

Relations have improved but Falklands issue will not go away, writes David Pilling

UK General Sir Charles Guthrie, left, greets Argentine General Martin Balza Reuters

Leaving the Falkland Islands aside, Anglo-Argentine relations could hardly be better. Full diplomatic ties have been restored and the red carpet is frequently rolled out for high-level visitors. Only this week, General Martin Balza, Argentina's army chief and a Falklands combatant, was warmly welcomed in London. Trade is back to historic norms and Britain is vying for top place as Europe's biggest investor in the Argentine economy.

But the issue of the Falklands, over which the two fought a brief but bloody war in 1982, cannot be left aside – at least not indefinitely.

True, London and Buenos Aires have settled several Falklands-related issues under the "umbrella", a diplomatic nicety unfurled in 1990 which allows discussion of specific issues without compromising either side's sovereignty claim. The most dramatic success came last year when Argentina dropped its objections to oil development around the islands in return for a share in any royalties.

Many issues, however, continue to rankle. Fourteen years after the war, Argentine passport-holders are still forbidden from setting foot on the islands they call the Malvinas. Quarrels remain over fishing rights around the Falklands and South Georgia, whose sovereignty is also disputed. And Britain maintains – at least formally – an arms embargo against Argentina, notwithstanding media reports last month suggesting these may have been secretly relaxed.

"We have to remove the thorn that is pricking our relationship," says Mr Ricardo Lafferiere, a Radical congressman who last month attended the Argentine-British Conference (ABC) in Salta, northern Argentina, aimed at promoting better mutual understanding.

But the Falklands thorn is deeply embedded. Far from dropping its claim to the islands, Argentina has actually reinforced it with a specific mention in the reformed constitution of 1994. Buenos Aires insists it will pursue its goal by diplomatic means only, but President Carlos Menem's insistence that sovereignty will be won by the year 2000 hangs over islanders like the sword of Damocles.

The mainstream Falklanders' position – that they want nothing to do with Argentina – is equally entrenched. Economic wealth from fishing, which has increased per capita income seven-fold since the war, has bolstered the tiny population's sense of its own negotiating power.

For both Britain and the Falklands, the sovereignty issue is trilateral, with the islands' elected council having ultimate say. Buenos Aires rejects the concept of self-determination for what it regards as stolen territory, regarding resolution of the dispute as a purely bilateral affair to be hammered out with London.

"Anglo-Argentine relations are, to some extent, being held hostage to the wishes of 2,000 islanders," says Mr Victor Bulmer-Thomas, director of the Institute of Latin American Studies. "At some point, there is bound to be some kind of reaction in Buenos Aires."

Argentina, which as part of its "charm offensive" on island sentiment has yielded on several issues, may be running out of patience, Mr Bulmer-Thomas says. Buenos Aires has made several gestures, such as allowing flights between Chile and the islands to pass over Argentine territory, but has so far seen little in return.

Argentine frustration has become evident in its refusal to sign a long-term fishing agreement to protect fish stocks that straddle Falkland and mainland waters. Catches of ilex squid, on which the Falklands' economy is heavily dependent, have fallen dramatically in recent years and Argentina may be tempted to use the threat of continued over-fishing as a last-ditch – and potentially devastating – bargaining chip.

To prevent such action, Mr Bulmer-Thomas believes Falklanders need to make some appeasing gestures. These might include allowing Argentines to visit the islands, re-establishing air-links, and acceptance of an Argentine offer to clear landmines left over from the war.

Among more moderate sections of Falklands opinion, there is a belief in greater flexibility. Mr Terry Betts, an island businessman and one of three Falklands representatives at the ABC conference, says Falklanders should be "reconciliatory, by allowing Argentines to visit the islands".

Mr Betts, who is an advocate of strengthening the island economy in preparation for possible independence, believes Falklanders should take the initiative before changes are forced upon them. "We cannot hang on to the apron strings of Great Britain forever," he says.

In Britain, the possible election of a Labour government next year could subtly shift the equation. Mr Tam Dalyell, a Labour parliamentarian who questioned Britain's use of military force in 1982, says he would try to persuade a Labour government to move "towards some concept of independence".

The three Falkland representatives who attended the ABC conference last month will return to the islands bearing the message that "time is not on their side", Mr Dalyell says.

"It is totally unacceptable," he says, "for such a very small tail to be wagging such a big dog."

Texaco battles to limit race-claim damage

By Richard Waters in New York

Texaco, the US oil company, was fighting yesterday to limit the damage from what, in the space of three days this week, has developed into one of the most damaging racial discrimination cases against a big US corporation in years.

The energy giant's discomfort has stemmed from the *disclosure of tapes allegedly* revealing that soma of its executives discussed destroying avidence that might be used in the discrimination suit. The taped discussion, details of which are contained in court papers filed in connection with tha case, is said to includa derogatory allusions to black staff members, who are refered to as "niggers" and "black jelly beans".

Reports of the comments provoked an ontcry from civil rights groups and contributed to a 5 per cent fall in the company's stock price on Monday and Tuesday, before it recovered slightly yesterday. Mr Carl McCall, who is responsible for investments by New York State's pension fund, wrote to the company to say he was "greatly concerned that a corporate culture of disrespect and *discrimination* could hava a negative impact on performance and value".

The damaging comments are contained in what lawyers in the discrimination case say are transcripts of recordings made by a former Texaco employee. The company said yesterday it had only just been handed copies of the tapes, and could not confirm the details.

The former employee, Mr Richard Lundwall, secretly recorded meetings of executives in the company's treasury department in 1994 at which a pending racial discrimination case was discussed.

Mr Lundwall, who had been in charge of human resources in the department, retired on November 1, Texaco said.

The company's response to *the developing scandal has* been to appoint a well known attorney, Mr Michael Armstrong, to conduct an independent investigation of the allegations, and to circulate a video among employees in which executives express their concern about the charges.

The company said, if necessary, it would take action against the individuals concerned.

'Human error' in Peru air crash

By Sally Bowen in Lima

Human error may, after all, have been responsible for last month's crash of an Aeroperu Boeing 757 in which all 61 passengers and nine crew died, according to a statement from Peru's air transport authority, the DGTA.

Three "static ports" in the aircraft fuselage had been found to be covered with adhesive tape, the authority said. Tha ports act as sensors to measure atmospheric pressure and the aircraft's height and speed.

Aeroperu spokesmen confirmed the static ports had been located among wreckage on the Pacific Ocean floor 25 miles north-west of Lima.

Until now, it had appeared the crash on October 2 was due to total and inexplicable computer failure. Recorded conversations betweeo the co-pilot and the Lima control tower for the 29 minutes before the crash revealed no basic instruments functioning and the pilots did not know their height, direction or speed. Thick fog meant zero visibility.

Mr Victor Girao, a former pilot and Peruvian aviation expert, said that if adhesive tape had been left blocking the air intakes after servicing, then responsibility would fall on the ground crew and the pilots. It was the obligation of the latter to make visual checks of the outside of the aircraft before boarding.

The task of recovering bodies and wreckage has been arduous. So far, only 55 of the dead have been recovered, with 34 identified. Attempts to recover the remaining victims are continuing. The flight data recorders have been sent to the US for analysis.

The Aeroperu crash is one in a series of South American disasters in recent months which have raised fears over the safety of air travel in the region.

Drum maker rolls over its final frontier

By Gordon Cramb in Amsterdam

Van Leer, the world's biggest maker of steel drums used for shipping oil and chemicals, yesterday announced its 36th foreign manufacturing site. The Dutch company, expanding internationally since it opened a UK plant in 1927, has launched facilities in the past two years in China, Russia and Costa Rica.

The final frontier? Japan. It is to invest Fl 41m ($24m) in a greenfield site near Nogoya to produce 1m drums a year, aiming for 7 to 8 per cent of a Japanese market until now dominated by affiliates of the country's big steelmakers.

The decision to go it alone follows the failure of a planned joint production venture. Its prospective local partner, a steel fabricator, is understood to have been scared off by indications that steel supplies for its other lines might be in jeopardy if it entered the drums business.

As a Van Leer official cautiously put it yesterday: "It has been a story of unforeseen competitor reaction."

The Dutch company had secured other supply sources, but these were to remain "one of the secrets of our factory," which will employ 50 people when finished in a year's time. News of the investment was this week being presented in Tokyo by Mr Wim Kok, the visiting Dutch prime minister, as evidence of strengthening bilateral economic ties.

According to figures from the Japan External Trade Organisation (Jetro), the Netherlands is one of the largest providers of direct investment into Japan. Its Y53.5bn ($470m) last year accounting for 14.5 per cent of the total. However, much of this is capital deployed by the financial sector, including Dutch-incorporated holding companies that are part of other European groups.

"This is one of the first major Dutch manufacturing investments in Japan," said Mr Hiroshi Matsuura, Jetro project manager in Amsterdam.

Van Leer, which in a stock exchange flotation this May raised Fl 250m for expansion, said entering the Japanese market would "complete its global supply network". It was acting in response to multinational customers which increasingly sought worldwide supply contracts.

Japan, with no oil reserves of its own, has a big refining industry. Among the leaders is Showa Shell Sekiyu, an affiliate of Royal Dutch/Shell, which is a big user of Van Leer products elsewhere.

The packaging company estimates that it makes between a fifth and a quarter of all steel drums worldwide, with sales of Fl 1.4bn last year. It needs disparate production sites because, its spokesman noted, "an empty drum is very expensive to transport. If you don't produce in Japan you don't sell in Japan."

But in Japan, the difficulties don't stop there. The country uses its own drum size, different from the European and US standards.

UN body 'ought be able to take international action on breaches of workers' basic rights'

ILO chief seeks more powers

By Frances Williams in Geneva

Mr Michel Hansenne, director-general of the International Labour Organisation, is to ask the ILO's governing body for greater powers to take action against countries that violate workers' basic rights.

ILO officials want forced labour and discrimination to be treated in the same way as restrictions on the organisation of trade unions, enabling the United Nations agency to investigate and publicly condemn offending nations whether or not they have ratified the relevant ILO conventions.

At the moment, with the single exception of statutes on freedom of association, countries cannot be brought to account for breaches of norms they have not ratified.

The ILO proposal comes in the midst of a row between members of the World Trade Organisation over a US-led campaign for inclusion of core labour standards in the WTO's future work programme.

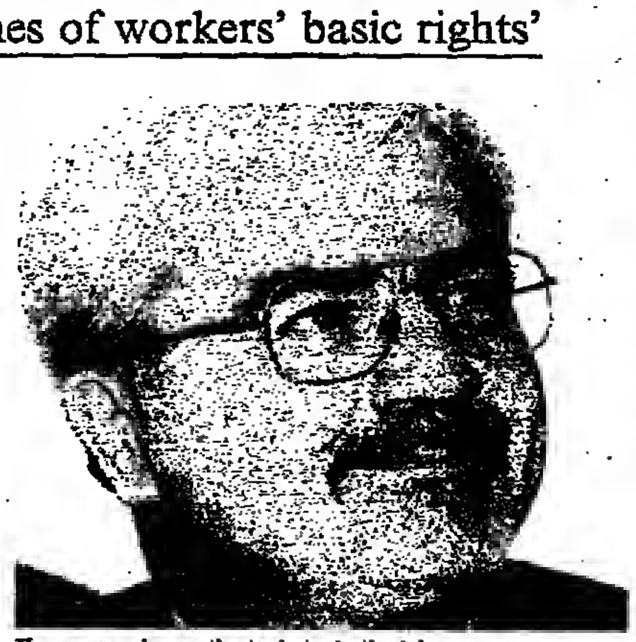
WTO ambassadors meet today, in what will probably be a vain attempt to finalise the draft declaration for the world trade body's first ministerial meeting in Singapore in December, which is intended to set the WTO's agenda for the rest of the decade.

Developing countries are expected to repeat their opposition to any WTO discussion of the labour standards issue, which they fear could result in trade sanctions against their exports. Washington has said it will block agreement on the draft if worker rights are not mentioned.

Poor nations argue that the link between labour standards and trade is best handled in the ILO, which already has a working party on the social dimensions of trade liberalisation. The working party will meet during the two-week ILO governing body session that also begins today.

Mr Hansenne, who backs a WTO "social clause", said this week that if governments wished to give the ILO the responsibility to police labour standards they should give it the tools to do the job effectively.

Malaysia, one of the most vociferous opponents of WTO work on labour rights, had said it favoured giving the ILO more teeth, Mr Hansenne noted.



Hansenne: give us the tools to do the job

Consortium signs Turkish power finance deal

By John Barham in Ankara

An international consortium of power companies has signed a $467m financial package with a group of seven European, Japanese and US banks for the construction of a long-delayed power station in western Turkey.

The consortium, led by Brussels-based Unit International, includes National Power of the UK and Japan's Marubeni Corporation. Each company has a one-third share in the consortium and will contribute $156m in equity to the project, expected to cost $623m. ABB, the Swiss-Swedish electrical engineering contractors, will build the plant on a turnkey basis and is due to begin generating power in 1999.

The 480MW gas-fired power plant at Marmara Ereğlisi in western Turkey will be constructed under a Build-Operate-Transfer (BOT) contract with the government. The consortium will build the plant and has 20 years in which to operate it and recoup its investment before handing it over to the government.

Mr Unal Aysal, Unit's president, said the company had signed a 20-year gas supply contract with Botaş, the state gas company and a 20-year electricity sales agreement with TEAS, the national power company.

However, the BOT model for privately financing public infrastructure projects has run into serious political opposition as well as legal obstacles. The Marmara Ereğlisi project was delayed for four years because of opposition from nationalists and left wingers who oppose private foreign capital taking over state activities.

Ironically, the government this summer gave up promoting further BOT projects and introduced a new scheme under which private operators will build and own their plants without having to transfer them to the state.

Delays in approving BOT projects and a decline in public sector investment have led to more and more power failures in Turkey as demand increases by 10 to 11 per cent a year. Last year Turkey invested $728m to expand production capacity, one-quarter less than planned.

The government has listed six Build-Own (BO) projects worth $10bn which are to receive "fast track" regulatory approval. Some 150 projects have been submitted to the government. Although executives and bankers doubt further legal challenges, legal experts fear political opposition may force further delays.

● Türkcell, one of Turkey's two GSM mobile telephone operators, has signed a $500m licensing agreement with Türk Telekom, the national telephone company. This agreement replaces a revenue-sharing scheme previously in place with Türk Telekom in which the state took two-thirds of the network's revenue. The deal must still be approved by Turkey's cabinet.

Turkey has scrapped plans to buy 10 US helicopter gunships worth $150m in protest at delays in delivery. Turkish newspapers said human rights groups had stalled the deal. Cobra helicopters are in use against Kurdish guerrillas.

Brittan calls for end to Cuba row

By Guy de Jonquières

Sir Leon Brittan, the European Union's trade commissioner, will today urge the EU and US to settle their dispute over trade with Cuba and join forces to promote democracy and respect for human rights on the island.

Sir Leon's call, to be delivered in New York, is billed by EU officials as an important diplomatic initiative. It is intended to mend transatlantic rifts over Cuba and lay the basis for better relations with the re-elected Clinton administration.

Sir Leon plans to pursue the initiative in talks with US trade officials at a business conference in Chicago tomorrow and on Saturday. He expects to use the talks to probe the US on President Clinton's trade policy priorities in his second term.

Sir Leon will stress that the EU remains firmly opposed to the Helms-Burton anti-Cuba act, which Brussels is challenging in the World Trade Organisation. The act authorises private US court cases against foreign companies "trafficking" in confiscated Cuban assets.

He will also endorse for the first time proposals by Mr Stuart Eizenstat, President Clinton's special envoy on Cuba, for international co-operation to speed political reforms on the island.

EU officials hope the initiative will help provide Mr Clinton with the political ammunition needed to persuade Congress to amend or repeal Helms-Burton, which he partly waived for six months in July.

The officials would not say what, if any, further concrete measures were planned to underpin the initiative, insisting it would depend on the US response.

But Sir Leon is expected to seek support for his approach from US and European business leaders at the Chicago conference.

He will stress that EU and US policies towards Cuba share the same aims: "We believe strongly that Europe and the US should work together as soon as possible to nurture democracy, freedom and human rights there," he will tell the European-American Chamber of Commerce in New York.

But he will argue that differences over Helms-Burton have driven a wedge between the transatlantic partners and created "misunderstandings", which have prevented them from co-operating productively.

"By opposing Helms-Burton, Europe is challenging one country's presumed right to impose its foreign policy on others by using the threat of trade sanctions. This has nothing whatever to do with human rights. We are merely attacking a precedent which the US itself would oppose in many other circumstances, with the full support of the EU."

Sir Leon will acknowledge differences between US and EU tactics towards Cuba. But he will insist that Europe's policy of "constructive engagement" is genuinely intended to achieve reforms by encouraging the island to behave as a responsible member of the international community.

He will deny that the EU has "gone soft" on Cuba, pointing out that European leaders in June froze preparations for a trade agreement with the island because the Castro regime had not done enough to promote political reforms.

"Our determination to bring freedom and democracy to Cuba is every bit as strong as Cuba's. Now is the time for Europe and the US to begin searching for common ground, so that together we can bring Cuba into the international community, where it belongs."

NEWS: UK

Consortium chosen to modernise phone networks includes Lockheed Martin

BT-led group wins $1.6bn military deal

By Ross Tieman in London

A group led by British Telecommunications has been chosen for a contract worth £1bn ($1.6bn) under the government's Private Finance Initiative to supply all the telephony needs of Britain's armed services for the next decade.

The Inca consortium comprises BT, the US defence group Lockheed Martin and the General Electric Company of the UK. It beat off a challenge from the Rampart team made up of Racal Electronics, software group Logica and W.S. Atkins, the consultants.

Provided contract details can be agreed, Inca will take over five wired networks owned by the British defence ministry and use computerised switching to create a virtual private network embracing ministry and BT lines under a £700m agreement.

In addition, the ministry will pay Inca up to £300m in tariffs over the 10-year contract set to begin next year saving, up to £150m.

The ministry will retain ownership only of a core military network but Inca will run this within the virtual network.

Under these arrangements voice and data communications between the ministry and some 200 Army, Royal Navy and Royal Air Force bases around the UK will be carried alongside civilian traffic over the BT network.

The consortium will be obliged to make available the latest technology and modernise the network as that technology advances.

Military planners say this will remove technology constraints on the speed and quantity of data transmission and open the door to wider uses. In time, they hope ministry strategists will be able to hold video conferences with battlefield commanders, supported by a two-way stream of satellite photos, tactical intelligence and other data.

Inca and Rampart each spent several million pounds during an 18-month battle to secure the contract. Tom Johnson, BT's director of government accounts, said: "This was a very hard fought contest," ministry officials said both had met the criteria, but "the BT solution was cheaper and it was also more cost-effective."

The Defence Fixed Telecommunications System deal will double the value of contracts awarded by the ministry under the PFI to almost £1.4bn.

A £500m contract to establish a training school for military helicopter pilots was signed yesterday with FBS, a consortium comprising FR Aviation, Bristow Helicopter Group and Serco.

Car parts claims cause surprise

McKinsey says British quality ranks second only to Japan's

International car manufacturers make half as many complaints about parts from UK-based companies as those made in Germany, according to McKinsey, the US management consultants.

The finding is among a host of data in McKinsey's study of worldwide component production supporting its conclusion that "Britain leads Europe in terms of quality" in this industry.

This conclusion sparked surprise among some experts yesterday, who said it contrasted with conventional wisdom that the UK still lagged behind Germany in quality, in spite of recent improvements.

However, McKinsey said its finding was based on three years' work using a novel methodology which took the study of quality into a new dimension.

In conjunction with the Technical University of Darmstadt in Germany, McKinsey assessed 167 suppliers of components in Japan, the US and Europe. The sample included both small companies and the local subsidiaries of multinationals.

Of the total, 62 were in Germany, 25 in the US, 20 from Japan, with the rest split between the UK, Italy, France, Spain, Portugal, Scandinavia, Austria and Switzerland.

The study's figures mainly cover the period 1987-1991, although McKinsey has updated them where necessary and insists they give an accurate current view.

The research broke new ground in assessing the quality of companies' output in terms of factors such as volumes of defective parts, and in the less quantifiable area of "process quality".

This takes into account a business's ability to operate in a flexible manner, and "perform somersaults on behalf of its customer", as one consultant put it yesterday.

According to McKinsey, 67 per cent of companies in the UK score "above average" in terms of their quality profile, compared with 42 per cent in Italy, 29 per cent in France, 26 per cent in Germany, and 21 per cent in Spain and Portugal. The US figure was 44 per cent, while for Japan it was 85 per cent.

Behind the UK's high standing are management techniques, combined with the willingness of UK shop-floor workers to adapt quickly to changing circumstances, McKinsey says.

In a list of 15 important "management levers", investigated by McKinsey, which companies can apply to increase quality, Britain was rated particularly highly in terms of companies' willingness to delegate to their workers decisions over production, to use self-checking methods rather than rely on conventional quality inspectors and to get top managers to build in "quality awareness" to everyday decision-making.

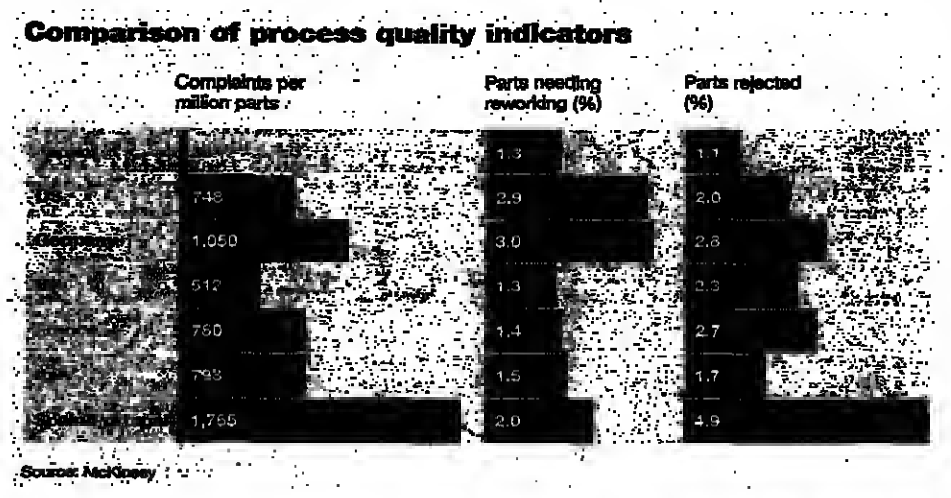
Germany, in contrast, won a much lower score in most of these areas. But it was rated higher than any other European country in terms of its design capabilities and ability to turn out products seen as "technically superior" by its customers.

While McKinsey acknowledges its methodology on "process quality" is unusual, it also produces data on quality as measured conventionally which indicates that UK-made components suffer from fewer defects than is often thought.

According to McKinsey, customers of UK companies make 512 complaints about quality for every 1m parts, compared with 1,050 for Germany and 780 for France.

Peter Marsh

Comparison of process quality indicators



Source: McKinsey

Registrations of new cars at record

Registrations of new cars last month reached the highest October level since records began. Figures from the Society of Motor Manufacturers and Traders showed that last month's total new car registrations, at 154,733, were 13.3 per cent higher than the 136,605 achieved in the same month a year before, John Griffiths writes. However, registrations to private motorists leapt by 21 per cent year-on-year, far outperforming the 7.5 per cent increase in the fleet and business market.

The size of the increases caught the industry by surprise. Only a sharp downturn in November and December will prevent this year's total exceeding 2m for the first time since 1990. Imports accounted for 62.2 per cent of October's total registrations.

Electronic settlement system is delayed

By William Lewis, Investment Correspondent

A delay to the introduction of Crest, the electronic share settlement system, was announced last night because of software and systems problems.

Mr Iain Saville, chief executive of CrestCo, the company that is running the transition from paper-based settlement to Crest, said that the entry of ten heavy traded FT-SE 100 stocks which had been planned for December would not now take place until next year.

"We are giving people a chance to catch their breath," he said. "They are all high volume stocks but the transition is not stopping. It is a good time to cool it a bit." CrestCo's target for the percentage of total bargain volumes settled in Crest by the end of this year has been reduced from 55 per cent to approximately 43 per cent. He said that about 20 FT-SE 100 stocks had already entered Crest.

Mr Saville added that CrestCo would decide within the next three weeks, after monitoring "the performance both of its own system and of its users", whether it should also hold back other stocks which were meant to begin settling through Crest in January.

Yesterday's announcement follows problems in reconciliation of records experienced by Crest last month. The problems were caused by differences between Crest's own records of electronic share ownership and those of registrars which led Crest to suspend settlement of shares in up to five companies for two days.

At the time, CrestCo said the problems had not caused any delay to implementation of Crest but that this would be an option if the problems recurred.

Crest is on a rolling transition programme that involves companies' shares gradually switching to settlement through Crest rather than through the stock exchange's Talisman operation. Crest settles more than 10,000 transactions a day in 571 securities, accounting for about 25 per cent of the total market volume of bargains.

A CrestCo statement said that Crest software has experienced some "teething problems" and that while most of these had been resolved, "the most significant of these outstanding issues will be rectified in the coming two to three weeks".

Banks to press ahead on monetary union

By George Graham, Banking Correspondent

UK banks are to start investing in a new payments system to handle the single European currency without waiting for the UK government to make up its mind on joining the monetary union.

Chaps, the jointly-owned system that handles high-value same-day payments, had already decided that it would need to set up a system for handling euros, whether the UK joined or not.

However, it has concluded that it must go ahead with the construction of its euro payments facility on the assumption that the UK will remain out of Emu, or run the risk of not having it ready in time.

"We need to have something in place by January 1 1999. The UK government has to make its decision before the end of 1997, but we have to take investment decisions before that stage, and therefore we have to plan on the basis of an out scenario," said Mr Stewart MacKinnon, head of the single currency unit at the Association of Payments and Clearing Services (Apacs), the umbrella group which runs Chaps and other UK payment systems.

The new Chaps euro facility is thought to be the first time the UK banking industry has decided it cannot sit on the fence over Emu, but must invest in new systems.

Although some of the system could still be used if the UK decided to join Emu, Chaps would have designed it differently if it had thought that was likely, and risks wasting much of its investment.

The Bank of England has assured bankers that they will have plenty of time to get ready for Emu, but the Chaps decision is a clear indication of the handicap placed on British banks by the uncertainty about the UK's intentions. The French, German and Belgian banking systems are already well on the way towards converting their large value wholesale payments systems and retail systems.

Apacs warned that the European Union had chosen the worst possible time for the full introduction of Euro banknotes and coins, currently planned for January 1 2002. Introducing Euro notes and coins on a public holiday, and at the busiest time of year for shops and businesses, would create a logistical nightmare.

"We believe this is the worst possible time for the Euro to be introduced," said Mr MacKinnon. He said that it might be better to push the changeover date back to February 2002 – the same month in which, in 1971, the UK chose to move from shillings and old pence to the decimal currency.

However, that might be politically difficult, since the Maastricht treaty stipulates that the introduction of notes and coins must take place by the beginning of 2002 at the latest.

Currency traders face 69 fraud charges in Jersey

By Philip Jeune in Jersey

A currency trader, a banker and an accountant faced a total of 69 fraud charges in Jersey's police court yesterday in connection with currency trades carried out through Cantrade, a subsidiary of UBS, the Swiss bank.

All the charges, brought under the Investors (Prevention of Fraud) (Jersey) law, relate to currency trades carried out in Jersey by Mr Robert Young, a dealer based in the English Midlands city of Nottingham, who is alleged to have lost $37m of his clients' money.

He appeared in court alongside Mr Peter Stoneman a senior manager with UBS subsidiary, Cantrade Private Bank Switzerland (CI), and Mr Alfred Williams, a former partner with Touche Ross.

The currency trades were carried out between 1988 and 1993 through Cantrade, which is alleged to have failed to warn investors of heavy losses.

Civil actions have already been brought against Cantrade and Touche Ross in Jersey's Royal Court by 90 investors. Mr Williams is alleged to have audited Mr Young's figures, claiming profits. Cantrade and Touche Ross deny the allegations.

In a further civil action, the investors are seeking a judicial review of a refusal in 1994 by Jersey's Finance and Economics Committee to investigate their complaints about Cantrade.

Mr Young, who was initially charged in August with two offences, now faces a total of 29 fraud charges. Mr Stoneman, a Jersey resident, faces 19, while Mr Williams, who lives in Derbyshire, England, faces 21.

The Cantrade bank has also been charged.

UK NEWS DIGEST

US company in $18m expansion

The US company Align-Rite International is to invest £11m ($18m) on doubling the production of components at its south Wales factory, boosting the growing semiconductor industry in the region. The project, which is grant-aided by the Welsh Office, will add 200 jobs to an existing 80-strong workforce.

The company, which is based in Los Angeles, has been at Bridgend since 1984 and exports three quarters of its output. In deciding to site the project in Wales, Align-Rite has been influenced by the prospect of sales to the Welsh semiconductor plants of LG, the South Korean electronics group, and Newport Wafer-Fab, owned by QPL, based in Hong Kong. LG announced in July that it would open a semiconductor plant, employing 1,700 people, as part of a £1.7bn investment at Newport, south-east Wales. Nearby, Newport Wafer-Fab is building its second silicon wafer plant, in a £230m investment which will add 750 people to its workforce. *Roland Adburgham, Cardiff*

■ BANK OF ENGLAND

Warning on strength of sterling

The Bank of England, the UK central bank, warned yesterday that the recent strength of the pound should not be used as an excuse for keeping interest rates too low. In an unexpectedly hawkish quarterly *Inflation Report*, the Bank argued that the pound's 9 per cent rise since August against a basket of other currencies would probably not exert an enduring downward pressure on inflation.

The Bank added that up to half of sterling's recent appreciation was the result of higher oil prices. This again should only depress inflation for a while, as prices overall in the economy move to a lower level than they would otherwise have recorded.

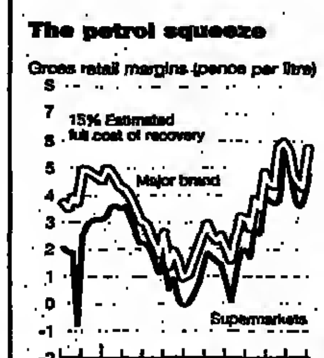
"We should not set an easier monetary policy now because of sterling's strength," Mr Mervyn King, the Bank's chief economist, said yesterday. *Robert Chote*

Editorial comment, Page 15

■ PETROL PRICES

Three to merge service networks

The petrol squeeze



Source: Opal

Three oil companies have agreed to merge their service station networks in the industry's first big restructuring since a fierce petrol price war was launched by Esso earlier this year. About 400 jobs out of a combined workforce of 1,322 are expected to be lost as a result of the planned merger of the UK refining and marketing assets of Elf Aquitaine, Gulf and Murco. The new network of 1,500 service stations will make the new company the fourth largest petrol retailer in the UK after Esso, Shell and British Petroleum. The new company will have an estimated market share of 8 per cent. It will be particularly strong in Wales, the English Midlands and parts of the south-east. Gulf, a wholly owned subsidiary of Chevron of the US, also plans to close its refinery at Waterston in west Wales by the middle of next year as part of the proposed link-up. *Robert Corzine*

■ NUCLEAR SAFETY

Irish government to back lawsuit

The government of the Republic of Ireland is to back a private lawsuit in the Dublin courts against British Nuclear Fuels (BNFL), operator of the Sellafield reprocessing plant in north-west England. The plant is about 180km from the eastern coast of the Republic of Ireland.

Mr Brendan Howlin, the Irish minister for the environment, said the state authorities would offer financial and other assistance to four residents of the republic who are seeking closure of the plant because of its alleged threats to health and the environment.

The announcement follows a Supreme Court decision in Dublin last week which gave the go-ahead for the case to be heard in the republic. It rejected an appeal by BNFL that the action could not take place in a separate jurisdiction.

The Irish government is to offer scientific, research and legal assistance to the four residents, and will conduct a "wide trawl" of international evidence to assist the case against the UK plant. *John Murray Brown, Dublin*

■ LABOUR PARTY

FT article sets off hair debate

Yesterday's political debate at Westminster was dominated by a single issue: Mr Tony Blair's hair.

The spark was an article in yesterday's FT, suggesting Mr Blair, leader of the opposition Labour party, had dampened down his bouffant hairstyle as part of a complex strategy to win over Britain's women voters.

"This is the blackest day in the FT's proud history of journalism," raged a Blair aide. "They have printed a totally untrue story about Tony Blair's hairstyle which the business community will be totally astounded by."

His team decided later that they had perhaps overreacted, and their fury was replaced by a lighter touch. "My problem is not changing my hair – it's keeping it," Mr Blair said. *George Parker*

Repos may ease integration with euro

Even outside Emu, market would help to maintain reputation of London

If the UK joins the single European currency, the growth of the country's new gilt repo market means that it could adapt quickly to the system of monetary policy likely to be adopted elsewhere in the European Union.

Even if the UK decides to stay out of European economic and monetary union, having a modern system in line with that used within the single currency area strengthens London's chances of remaining one of Europe's main – perhaps pre-eminent – financial centres.

The gilt repo market – for the sale and repurchase of UK government bonds, or gilts – began life in January this year, allowing the bonds to be bought and sold more easily and more widely between private banks and investors.

Bank of England figures published this week showed that by the end of August the market had grown to £60bn ($98bn) in size, compared with £35bn in May, with a daily turnover of £15bn.

This rapid growth raises the prospect that the Bank (the UK central bank) may soon use the repo market to manage the UK's monetary plumbing.

At present, the Bank guides UK short-term money market interest rates by buying and selling Treasury bills from and to the City's discount houses. This adds money to or drains money from the market.

But the system has its critics. They say it has become dominated by one or two big clearing banks and has been responsible for volatility in short-term interest rates.

But the Bank of England has signalled that it may soon use the repo market to guide short-term interest rates. Under this system, used widely in other countries, the Bank would add or drain money by buying or selling gilts, through repo, to banks and institutions. The Bank is preparing a paper on how this might work.

Such a change would mean that the UK could more easily adapt to the system of monetary policy likely to be used in Emu. Central bank officials across Europe are feverishly trying to work out how monetary policy would work after 1999. A German model is likely to be adopted in which short-term money market interest rates, guided by repo operations, would move within an interest rate corridor bounded by a lower deposit interest rate and an upper lending rate.

Under a single currency, the proposed European Central Bank in Frankfurt would decide changes to interest rates. But each change would be implemented through each of the national central banks. The Bank of England, for example, would intervene under instruction from the ECB in the repo market in the UK.

The ECB's aim in changing interest rates would be price stability. Whether this would be achieved through direct targeting of inflation as in the UK or by the targeting of an intermediate measure, such as the money supply, is still unclear. There may be problems in constructing an aggregate Emu money supply measure. Without a long track record, this measure could be difficult to interpret.

The question of which securities would be eligible to be used in the proposed European-wide repo is still a contentious one. In some countries, only government-backed bonds can be bought or sold through repo. But in Germany, for example, other high quality non-government debt is eligible. Some big US banks have complained that if the German system is adopted, it could give German banks – which already own a relatively big share of non-government debt – an unfair advantage.

Some non-German banks fear they may lack a sufficiently large stock of eligible debt to be able to compete with banks used to the German system. Another issue currently dividing officials is whether strict rules on government bond auctions would continue under Emu. At present, some countries require banks to have a large, separately-capitalised office in the country if they wish to be primary dealers in government debt. Bankers fear that countries may keep, or even tighten, these rules in an attempt to become the dominant financial centre in the Emu area.

Graham Bowley

Business leaders to aim for currency consensus

By Stephan Wagstyl, Industrial Editor

Mr Adair Turner, director-general of the Confederation of British Industry, makes no apology for the fact that the UK's business leaders cannot reach a decision on the biggest commerce issue facing the country – European monetary union.

There are wide differences of opinion among the organisation's member companies, he says. Moreover, there is no need for the CBI to make a decision while governments in the UK and in other European Union countries have yet to make up their minds.

But he acknowledges that with the planned 1999 launch date for Emu approaching, it will become "increasingly untenable" for the CBI to try to keep all its options open. So, early next year, it will start trying to reach a consensus in the hope of reaching a final decision in June or July.

If Mr Turner feels uncomfortable about straddling the divide over Emu, he does not show it. Nevertheless, monetary union will be the most contentious issue at the CBI's day annual conference next week.

Mr John Redwood, a leading Conservative Eurosceptic MP, will be ranged against Sir David Simon, the British Petroleum chairman, and other pro-Emu businessmen. Mr Redwood is the former cabinet minister who last year unsuccessfully challenged Mr John Major, the prime minister, for the leadership of the Conservative party.

CONFEDERATION OF BRITISH INDUSTRY

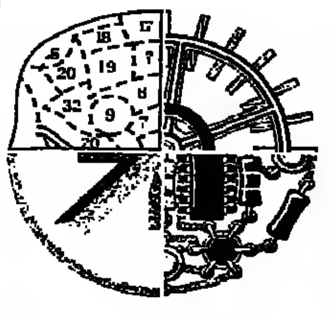
The CBI will also publish its second annual survey of business people's attitudes to the EU and Emu, the most comprehensive poll of its kind. Just as last year, it is expected to show a divide over Emu but an overwhelming majority in favour of continued membership of the union. Mr Turner himself concedes that the conference could send out contradictory signals about Emu.

Mr Turner believes that the UK is well-placed to take advantage of the structural changes it carried out in the 1980s – such as labour law reform – and of the economy's recent good performance.

Success depends on the government – of whichever party – remaining committed to macroeconomic stability and to addressing important "deficiencies", such as the quality of education.

TECHNOLOGY

Worth Watching • Vanessa Houlder



A crop of ideas for extracting fibres

Renewable materials made from natural fibres could play an increasing role in industrial products, following the development of a machine that can extract fibres efficiently from crops such as linseed and flax.

Robin Appel, a Hampshire-based company is about to put the "decorticator" machine into commercial production.

The Silsoe Research Institute, which co-developed the machine, has conducted a government-backed study of the industrial potential of fibre crops, which concluded that flax fibre could be blended with polypropylene to make car panels. Another promising application concerns "bio-logs" made of fibre which could be planted with reeds and installed on river banks to halt erosion.

Silsoe Research Institute: UK, tel (0)1525 860000; fax (0)1525 860156.

How to be more sensitive to stress

Acoustic microscopy – based on the principle that the speed of sound in a solid is altered by the presence of mechanical stress – makes it possible to build up a relatively crude image of stress patterns within a material.

Researchers from the USNational Institute of Standards and Technology in Maryland and the University of Cambridge have developed a more sensitive form of acoustic microscopy, according to a report in today's Nature.

They exploited the principle that stress in a material affects the polarisation and phase of a wave, as well as its speed. That produces interference between waves that would otherwise remain in phase. By using acoustic waves of different wavelengths, it is possible to build up an image of stress in objects ranging in size from microelectronic devices to welds in pressure vessels.

University of Cambridge: UK, tel (0)1223 337900; fax (0)1223 337918.

Compact disc speeds internet

A hybrid CD-Rom designed to speed up commercial transactions across the Internet has been launched by Supernet, a designer of virtual shopping malls.

The compact disc acts as a data warehouse, storing some of the elements of the Web site. The text-based information and control software are held on the Web server, allowing the final Web page, incorporating graphics, movies and audio clips, to be constructed in real time.

The syatem is designed to foster electronic commerce by enhancing the appearance of Web catalogues and cutting the time taken to buy goods online.

Supernet: UK, tel (0)1534 626885; fax (0)1534 509555.

A technique measures up

German researchers have designed an automatic measuring technique that could cut the cost of made-to-measure clothes to just 10 per cent above off-the-peg prices.

The technique involves recording a customer's silhouette using a video camera. A computer converts the outline into data representing body measurements.

These measurements are compared with standard clothing sizes, allowing the cutter to receive precise instructions about the required alterations.

The system has been devised by researchers at the Berlin College of Technology and the Fraunhofer Institute for Production Systems and Design Technology.

Fraunhofer Institute for Production Systems and Design Technology: Germany, tel 3039006201; fax 303917517.

Science Picture Library

In the bag: there is still a real fear of contracting disease from real blood, which synthetic products could ease

Synthetic blood products may prove useful in emergencies, says **Victoria Griffith**

Blood brothers

At the height of the Aids scare in tha late 1980s, acientiats began to dream of a product that would eliminate forever the need for blood transfusions. Almost a decade later synthetic blood is nearly ready for market.

At least six US companies – Baxter, Enzon, Northfield Laboratories, Biopure, DNX and Somatogen, in partnership with Eli Lilly – are testing blood substitutes this year, and Baxter and Northfield are about to launch clinical trials, the last step prior to review by the Food & Drug Administration (FDA).

Ironically, synthetic blood is completing testing at a time when developed countries say their blood supplies have never been safer. With modern screening, the risk of contracting HIV, the virus that may lead to Aids, or hepatitis through a transfusion has become very small. Yet companies continue to believe there is a atrong market for aubstitutes.

The public and many physicians are still receptive to the idea of synthetic blood, say developers of such products. "The risk of contracting HIV through a blood transfusion may be remote today, but tha fear remains," says William Freytag, senior vice-president of Somatogen. "We never know when the next disease may rear its head. If you receive blood substitutes, you don't have that nagging doubt 10 years later that you may have contracted a horrible disease from the transfusion."

Freytag says Somatogen's surveys have shown that both doctors and patients are keen to try the products. Even at its best, synthetic blood is not a full replacement, since it cannot perform all the complex tasks of the human circulatory syatem. It may be an effective stop-gap measure, however, during times of excessive blood loss. Many victims of gunshot wounds and severe cuts die from too much blood loss.

Some blood aubstitutes are made from fluoro-chemicala related to Teflon. Others are genetically altered versions of human and animal haemoglobin. All can take over a vital task of human blood: they carry oxygen to important organs such as the brain and heart, and shuttle away carbon dioxide.

Even if the blood supply can be made completely safe, say developers of blood substitutes, synthetic blood may be desirable under certain circumstances. The substances all have a shelf-life of at least six months, compared to just six weeks for real blood. Because blood substitutes operate under a "one size fits all" standard, proponents say they may prove especially useful for emergency treatments of trauma victims, or when something goes wrong on the operating table.

"We foresee aurgeons having synthetic blood on hand for emergencies, something to tide the patient over until the blood bank can be contacted and a suitable match found," says Thomas Schmitz, head of Baxter's blood substitutes division. Developers of synthetic blood also believe the substances could be important as a back-up when there is a shortage of the real thing.

Whether or not there is a blood shortage in developed countries is a controversial matter. The American Red Cross – responsible for voluntary blood drives around the US – says that on a yearly basis, nationwide, it has always met demand for blood. Yet the organisation admits that in certain parts of the country and world, at specific times of the year, there is a shortage. It is common, for instance, to hear appeals for donations around Christmas, when most people are too caught up in festivities.

These periodic dips in supply will worsen, predicts Freytag of Somatogen. "The population of young people who give blood is atatic, while the population of those who need blood – particularly the elderly – is growing," he says. "Each year, the world needs 7.5m more litres of blood than it did the year before. Eventually that will mean disequilibrium in the market."

Yet some physicians see profound risks in the use of synthetic blood. One concern is that the Teflon-like substances do not hold enough oxygen to make a real difference to the patient. Modified haemoglobin also has potential toxicities. Haemoglobin binds to nitric oxide, which is produced in small amounts in the human circulatory system to relax blood vessel walls.

"As the haemoglobin soaks up the nitric oxide, the relaxant function disappears," said John Hess, a physician and researcher at the Walter Reed Army Institute in Washington, DC. "That's a big risk for someone with high blood pressure."

Physicians are also worried by the impact of haemoglobin on the immune system. The breakdown of haemoglobin in the body activates the production of white blood cells, leading some to fear that transfusions of modified haemoglobin could trigger a dangerous auto-immune response.

The doubts are having an impact in the industry. This summer, in a vote of no confidence, Pharmacia & Upjohn took a $70m charge against earnings to drop a contract with Biopure for the development of synthetic blood.

Enzon believes the market lies only in specialised applications for blood substitutea, such as extra oxygen for stroke victims. "We don't see this as a product for elective [non-emergency] surgery," says Peter Tombros, chief executive officer.

Enzon hopes to use synthetic blood as an aid in cancer treatment, to flood tumours with oxygen during radiation treatment. The extra oxygen, researchers believe, makes the tumours more susceptible to treatment.

Despite the concerns, synthetic blood continues to hold a number of faithful adherents. "Human blood is inherently dangerous," says Harvey Klein, a researcher at the National Institutes of Health and a champion of synthetic blood. "The blood supply may be safe now but there is no way to know if it will remain safe. Because of these risks, synthetic blood could prove a very useful medical tool."

A glass raised quietly

Hotel mini-bars, the business traveller's oasis, are not like the average refrigerator. They must operate silently, which means most use a process called absorption technology rather than the normal mechanical compressor.

However, the absorption process, which involves heating a mixture of water and ammonia, consumes more energy than an equivolent compressor-based system. Until recently it could only be controlled by a simple on/off type of thermostat common to most refrigerators.

Now Ranco Controls, part of the UK's Siebe engineering group, has developed a range of intelligent microprocessor-based controls capable of learning the optimum moment to start either a cooling or defrost period within a refrigeration system.

The new E76 control, plus a cabinet and a cooling unit optimised for "fuzzy logic" operation, has enabled Electrolux, the Swedish-based appliance group, to cut energy consumption for its new generation of hotel mini-bars by 40 per cent. Half the saving is attributed to the control.

Fuzzy logic appliances have controls that sense and adapt to their surroundings. Japanese appliance users are particularly keen on them, but their use is spreading in the west.

The patented software in the Ranco control senses the cabinet temperature and other variables such as outside air temperature and different load conditions. It then adjusts the heater power of the water/ammonia mix to maintain a constant temperature, ensuring no energy is wasted by cooling too much or too little.

Graham Bailey, chief electronic engineer at Ranco's research establishment in Germany, says the control could be used for a wide range of energy-saving cooling and heating applications.

Andrew Baxter

ARTS

Cinema

A licence to play

CINEMAPLACEHOLDER

Skin games: Vivian Wu in Greenaway's teasing, momentons 'The Pillow Book'

cockroaches (presumably more disciplined than the native kind), 15,000 mealy worms and 20,000 "sterile flies" (did insects suffer during the filming? I think we should be told).

The four high school girls who dabble in the worship of Manon – not Massenet's opera but a sort of Pan-like deity – start by getting their own back on nasty schoolmates. Allegedly misfits, the perfectly attractive protagonists are Bonnie, who has disfiguring scars, the black Rochelle, a butt of racism, Nancy from the wrong side of tracks with a chip on her shoulder, and Sarah, who finds she actually has natural witching powers. The girls are soon levitating, infatuating football jocks and indncing heart attacks in stepfathers who obligingly leave unexpected life insurance.

Sarah (serenely beautiful Robin Tunney) worries when the settling of scores extends to murder, and Fairuza Balk's Nancy goes picturesquely off her head with much eye-white, lip-twitching and baring of gnashers. Good special effects evoking *The Witches of Eastwick* fail to obliterate the unintentional hilarity of a French class where the teacher perpetrates a howler worthy of a vice presidential potatoe (look at the board). Never mind the magic, it's the education of the richest country in the world that terrifies me.

A qneasy mix of matey humour and mindless violence, *Fled* shows even more contempt for psychology, background and innocent passers-by. The law of diminishing returns soon epplies to the crunch of fist on flesh and the squeal of lethal car-chases to comradely cries of "shit!" and references to asses of different colours.

Not a bad plot has a couple of escaped convicts pursued by the Cuban mafia, the US Attorney General and a shrewd hick cop from the sticks who reckons things are not what they seem. Oh but they are, they are; with embarrassing buddy-jokes, sadistic latinos, and noble-hearted felons devoting their loot to a kids' playground, action and characterisation are frequently on autopilot. *Will Patton's country cop* steals the acting honours from Laurence Fishburne's undercover cop and the improbable computer-hacker genius of Stephen Baldwin, youngest of the four acting brothers and evidently of the opinion that he is the most winsome.

Martin Hoyle

Dance

Stamina on speed

Bodies flying, twisting and slamming to the ground like fish out of water. An air of danger as dancers just miss – or just catch – each other. A suspicion that the stage has been electrified and that rag-doll girls and sweaty chaps are being jerked by galvanic shocks.

This is the movement language evolved by the Canadian choreographer Edouard Lock for his *La La La Human Steps* troupe during the past decade. It is a style intriguing enough for about 20 minutes. Thereafter I find an urgent need for something less aggressive, less short-breathed. This is art for an anxious generation, for a public to whom dance is a branch of tag-wrestling, with daring more important than invention, and exhaustion (at least on the part of the dancers) a criterion of worth.

For these devotees, Lock's new work – which has the shortest title on record for a choreographic piece: 2 – is catnip. It has arrived in London at the murky Peacock Theatre – the ci-devant Royalty, and no better for the re-naming, but now the base for Sadler's Wells' activities – *as part of a two-year tour*. If the dancers survive the punishment they take each night in performance, they will deserve medals.

The piece is entirely characteristic: four girls, four men – dressed in de rigueur black – twist and cut mainly balletic steps with ferocious speed. They collide, touch, and pass on. They mix academism, break-dance and slamming, disco and the razor-flash of tango legs. (Some of the incidents are like knife attacks.) Exhilarating for a short time, the piece merely goes on without going anywhere in particular.

The accompaniment nses baroque music played on two harpsichords on stage (and one of them seems to have been doctored by an electronic saboteur since it prodnces fearsome growls and clangours) then sinks to pop-trash, with intermittent static as a delicate reminder of *how distracting* noise *can be*. Metal grilles define or enclose the stage area. At his best – in a *quartet* for the men in which they grapple and run, tripping over one of their number on the ground – Lock creates a theatre of real tension. At his least convincing, we see the same coarse expenditure of energy repeating time and again.

An incidental annoyance of the evening is the showing on a screen of film of the dancer Louise Lecavalier (a dandelion-headed blonde) eating pap, while on another screen she is seen, heavily made-up as her aged self, looking like Andy Warhol in drag. The company dancing *is* impressive in its stamina and catch-as-catch-can daring, though the girls' knee-pads are not the most winning fashion accessory. (They have rather old-fashioned legs.)

The Peacock Theatre, lurking in the bowels of a building and clearly inspired by Warren Street tube station, is spacious, with perfectly hideons decor, combining the worst aspects of municipal thrift (the light fixtures are brutes) and the aesthetic grace of a multi-storey car-park. The splendid Stoll Theatre used to occupy this site. A murrain on those responsible for the present glumness.

Clement Crisp

Opera/Andrew Clark

The two big seducers are back

Opera's two biggest seducers are back in town, but somewhere along the road they have lost their sex appeal. *Don Giovanni* returns to the Royal Opera in a revival of Johannes Schaaf's 1992 prodnction; at English National Opera, the Duke of Mantua is still spinning "La donna è mobile" on the juke-box of Jonathan Miller's 1982 *Rigoletto*. Two productions deemed to have taken a fresh view when new now seem dated and dull. *Instead of emphasising* their strengths, this pair of revivals lays bare their weaknesses.

Don Giovanni celebrates Thomas Allen's 25 years at Covent Garden, and he is the sole justification for its return. Whether or not you like the production'e sadistic viewpoint, Allen is its irresistible life-force. The voice may be fraying at the edges, and the champagne aria has to be carefully managed, but Allen's artistry – intelligently conceived and intensely physical – reigns supreme. *His* command of tone and line is enough to give a single word like "sposeremo" a double edge; *even his laughter* and caresses are threatening, and he makes fantastically expressive use of his hands. The performance is a well-deserved personal triumph.

But this remains a Giovanni who threatens rather than sednces, who is addicted to power, not sex. Allen convinces us that Giovanni really is an aristocratic thug, and the scenes of domestic and street violence carry a strong contemporary resonance. But take away Giovanni, and Schaaf has nothing to say: the other characters are a parade of glums who could have fitted a 30-year-old prodnction.

What makes this performance so disturbing is its humourlessness, *its lack of sensuality*, its dowdy predictability, and its use of extras to mask a poverty of stagecraft. Patrick Young, the revival director, has missed a chance to re-order its priorities; on Monday night, for all the dim allure of Peter Pahst's sets, Covent Garden's geriatric scene-changes almost stola the show.

Next to Allen, the most rewarding performance came from Lucio Gallo'e practised Leporello, his native tongue adding a welcome crackle to the exchanges with his master. Here is a Giovanni-in-the-making; so, too, is Tómas Tómasson, whose Royal *Opera debut as Masetto is* distinguished by a fine voice and dramatic presence. Felicity Lott, looking like a maiden aunt, brings nothing distinctive to Elvira; Yvonne Kenny's Anna and Anthony Rolfe Johnson's Ottavio have seen better days, and Alison Hagley's Zerlina misses the sexy allure she brought to Nicholas Hytner's Munich production. Robert Lloyd is the ever-reliable Commendatore.

The right condnctor could have injected some life-saving spirit. *Instead, Dietfried Bernet* imposes his pedestrian, four-square view of the score, with deadening results. This is the kind of old-fashioned Mozart conducting that gives "Viennese" style a bad name. Is the Royal Opera really so hard-up for ideas?

At the Coliseum, it was good to hear an unsung conductor making a strong case for his ensemble, for Verdi and indirectly for himself. Noel Davies takes nothing in *Rigoletto* for granted: the musical preparation told time and again – in flexibility of tempo, in exactness of phrasing, in sharpness of orchestral and choral ensemble, in the lyrical flame of Verdi's flute- and piccolo-specked instrumental colours.

But Millar's *1950s* mafioso world – never quite in tune with James Fenton's English translation – has lost its capacity to surprise and delight. Even the famous juke-box, and the laughter it induces at Sparafucile's riverside bar, jars with the bitter fatefulness of the final act. This is a production which thrives on novelty, and David Ritch's subtly-lit revival cannot provide it.

The biggest *disappointment is* Janice Watson's role-debut as Gilda: she may have the voice for "Caro nome", but she sings it in a dramatic vacuum. Stiff and wooden, she is more frigid than fragile. Bonaventura Bottone's ageing playboy, a spiv with a quiff, makes a welcome comeback, though the voice sounds pushed to its extreme. John Connell is an exceptionally fine Sparafucile, and Jean Rigby repeats her classic Maddalena. Peter Sidholm's Rigoletto brings noble desperation to "Cortigiani" ("filthy bastards" in Fenton's version), but he would be far more effective in a traditional setting.

GUIDEPLACEHOLDER

Economic Viewpoint · Samuel Brittan

Myths of fiscal puritans

Unless modest tax adjustments are made by the UK chancellor to offset spending economies, the tax burden is on an insidiously climbing path

The buzz is coming from all sides. "The chancellor ought really to be talking about tax increases rather than tax cuts." We are also told that anything that the Treasury can shave off the public spending totals should be used to reduce borrowing faster. Five out of six of the Panel of Independent Forecasters are against anything that looks like tax cuts.

Nevertheless, this is a bandwagon, however high-brow, from which one should stay clear. Some of those on it have a half-conscious conviction that our incomes belong to the state; others have a visceral dislike of "Conservative tax cuts"; and yet others, whose politics may be different, suffer from innate pessimism. These elements are linked by a feeling of personal virtue in arguing a supposedly unpopular course. Nevertheless, the bandwagon lacks convincing arguments. The most illogical position of all is that of those who do not dare to advocate an increase in tax rates, even if there are no public spending economies, but who still oppose the slightest trimming in tax rates if such economies can indeed be found.

My case rests on two simple propositions. First: if the chancellor can cut the Treasury's "control total" by as little as £2bn from the £268.3bn previously pencilled in for 1997-98, that amount should go towards what the newspaper headlines will call tax cuts but which will really be tax stabilisation.

This is a matter of simple psychology as well as fiscal arithmetic. How should a spending minister feel if anything he concedes from his earlier spending bid has no visible effect on the taxes people pay but is lost in the numerous influences which affect the Treasury's borrowing projections on Budget day? And will that make his department more co-operative in future rounds?

The second proposition, which many commentators are too hairshirted to emphasise, is that chancellors have to cut tax rates, increase thresholds, or the equivalent, simply to keep the tax burden where it is. The tax system is partially indexed against inflation, as thresholds rise with prices. But it is not indexed against rising real incomes. A larger and larger proportion of these are taken in tax in a progressive tax system.

This is known as "real fiscal drag" by those who dislike the process and as the "fiscal dividend" by those who do. It is estimated by the Treasury at just over 0.2 per cent of gross domestic product or £2bn per annum. This may not appear much. But if a sum of this size is not returned to the taxpayer in an average year, we are drifting to an ever higher tax take.

Let me insist that I am arguing for a modest tax adjustment no greater than the modest spending economies the chancellor may have achieved compared to his previous base line – and assuming that the Treasury makes no drastic pessimistic revision to its fiscal projections. (In the chart I have taken the Treasury's 1995 path for the swing back to surplus, but started it from a more adverse point.)

Such adjustments are entirely compatible with what the Bank of England calls "an appropriate fiscal policy". I am simply taking as a datum the fiscal paths projected by nearly all independent analysts when they expect public borrowing to fall towards negligible levels by the turn of the century.

The chart should help dispel any impression that British public finances are out of control. As recently as 1988-89, there was a very large public sector repayment equivalent to 3 per cent of gross domestic product. (So much for the myth of Nigel Lawson's irresponsible tax-cutting Budgets.) The swing back into deficit in the early 1990s was partly a control loss but even more the automatic effect of recession. Some half of the deficit, about which Mr Clarke complained so much when he became chancellor in 1993, has already disappeared, even though the decline has been less than projected. This was, itself, partly the result of the economic slowdown in 1995-96.

Contrary to what many suppose, the official projections do not assume another boom like that of the late 1980s. They simply suppose a slow return of output to its underlying trend by the end of the century. It is wrong to assert that because output has for several years been below its long-term trend, it must soon rise above it. This view overlooks how very long the business cycle has become – the last one went on for at least 10 years from 1979 to 1989. More important is the fact that output can be below trend even over the whole of a business cycle. Indeed, it is only to be expected, on mainstream macro-economics, if inflation is moving downwards. This is the price that has to be paid either for reducing inflation or for letting it get high in the first place.

Most estimates of a stable budgetary balance lie between a deficit of 1 and 2½ per cent of GDP. The higher figure should be sufficient to stabilise the debt-to-GDP ratio, while the lower one fulfils the "golden rule" of borrowing only to finance capital spending. (The Private Finance Initiative does not yet make much difference to the Budget arithmetic.)

Some puritans do not believe the Treasury's spending projections, which they say assume too tight a restraint. But cynicism can be carried to the point of silliness. In fact public spending has been under remarkably good control in recent years.

The accompanying tables, kindly extracted by Gary Young of the UK National Institute, show how remarkably close outcome and projection have been in recent years. The actual or estimated outcome is compared with the Treasury's Budget-time projection and also its projection a year earlier.

Some argue that control has only been so good because inflation has turned out better than predicted. But that has not been so in every year. In any case the first table gives that outcome in real terms and the second as a proportion of GDP. The Treasury has indeed been on average slightly over-optimistic but by an amount corresponding at present values to about £0.7bn – or less than the fiscal dividend.

We are left with the final justification for fiscal tightening. This is as a counter-inflationary weapon to reinforce the recent base rate increase and reduce the number of future increases which the Bank envisages in its new Inflation Report.

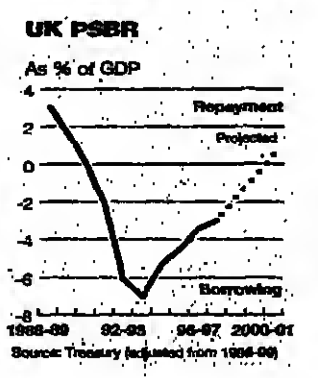
In fact, fiscal management has not been used in this way since 1974, when chancellor Denis Healey reduced indirect taxes before the October election.

The present doctrine is that monetary policy should be used to adjust demand and that fiscal policy should aim at a stable long-run balance between expenditure and receipts. Temporary cyclical swings into deficit or surplus then act as "automatic stabilisers".

The present view is more nearly correct than the one it succeeded. Fiscal changes take far too long to take effect and are far too uncertain to be of much use in managing demand. Tim Congdon, one of the panel most resolute in his advocacy of a tight budget, nevertheless argues that "monetary measures are far more important" for inflation control "than fiscal, as fiscal action has probably little effect on national income except in the short run".

Over the past two decades, nearly all economic management errors, both in an inflationary and a deflationary direction, have been monetary. Hardly any have been due to fiscal policy, the impact of which has been hard to discern.

UK PSBR



Source: Treasury (adjusted from 1995-96)

Public spending projections and outcomes

Real growth in control total (%)

	1993-94	1994-95	1995-96	1996-97
Projected 2 years before	[illegible]	-0.7	0.9	[illegible]
Projected year before	2.3	-1.3	-0.8	-0.2
Outcome	0.0	1.2	0.2	0.5

General government expenditure (as % of GDP)

	1993-94	1994-95	1995-96	1996-97
Projected 2 years before	41.25	41	41.25	[illegible]
Projected year before	44	45	42	40.5
Outcome	43.5	42.5	42.25*	41.25*

Source: NIESR, Treasury · * Estimate in Summer Forecast

BOOK REVIEW · Paul Myners

A GUIDE TO STOCKPICKING, By Gillian O'Connor
Century Business Books, 398 pages, £14.99

Do-it-yourself for equity investors

Professor George Parker, associate dean at Stanford University's graduate business school, invites his annual MBA class to imagine the entire adult population of the US standing on their front porches at 9am Pacific time to toss dollar coins. Those who toss tails are eliminated, forfeiting their dollar. Those who toss heads repeat the exercise on successive days until the last to lose scoops the pot.

After 23 days, only 23 people remain of the more than 190m who started. Prof Parker asks his class what the 23 should do. Most students propose variants on selling shares in the winnings.

Prof Parker offers an alternative: rush out the first book on *Flipping Dollar Coins: My Secret to Winning*. It would stand beside other airport books giving tips on how to get rich.

This book by Gillian O'Connor, the FT's personal finance editor, is the latest to join the shelf. It starts with sound advice: "If you do not find picking shares a wonderfully enjoyable challenge, don't pick shares. Buy an index-tracking trust and spend your leisure doing something you do enjoy."

What follows is a well-researched, accurate, wide-ranging and up-to-date overview of the world of professional investment on both sides of the Atlantic. But this is no guide: it is a compendium of theories and examples.

O'Connor assumes that readers begin by not knowing where to start; if so, they are likely to end with a knowledge of some exciting routes and some absorbing navigational techniques, but not necessarily be a great deal wiser about which direction to take.

At the outset we are told we need a method – a disciplined stock selection and monitoring process. "The important thing is to choose a system that works for you."

But how long will it be before readers know if their chosen systems work? A long time clearly, because it takes years to assess an investment record. Along the way, beware of trusting too much money to your stockpicking skills while you are still learning the ropes.

Among those quoted in the book, Mr Peter Lynch, who used to run Fidelity's Magellan fund, the largest in the world, admits: "I never had an overall strategy."

Yet in some respects, O'Connor appears sympathetic to Mr Lynch's man-on-the-street philosophy of buying shares in the companies you like as a consumer. Certainly his approach is more likely to appeal to the reader than techniques employing complex chart analysis and portfolio construction using computer-based theory.

It is true that professional investors find it hard to beat the market. Undoubtedly turnover costs are a big penalty. But is it realistic to say that professionals have a hard time because their "clients ... have unrealistic and conflicting demands and expectations"? Do most amateurs really care any less about performance and not keeping up with the Joneses on the benchmark index?

Among professional investors, Mr George Soros receives respectful attention (although surely he is no stockpicker?), but Mr Warren Buffett holds centre-stage – for his remarkable record, and even more for his wit and sagacity.

Arguably, the way in which Mr Buffett's thinking on the subject of stock-picking developed and the decisions he made offer more of a guide than any of the other tools and techniques covered in this book.

Mr Buffett's views on selectiveness in portfolio construction are especially sound: "If you have a harem of 40 women, you never get to know any of them very well."

Here is the true difference between professional and amateur investment. There is indeed an opportunity to make exceptional returns for amateurs willing to risk a great deal on their judgment of what constitutes an exceptional business at a fair price, ignore the "churn-over" (excessive turnover) of the market, and spend long periods holding surplus cash in large quantities when share indices are rising.

But it took Mr Buffett decades to refine his approach. And although O'Connor asserts that he performs value analysis using the risk-free rate of return, Mr Charlie Munger, Mr Buffett's partner, has said that he has never seen him working a discount model. To which Mr Buffett quips: "There are some things you do in private."

If individuals are to make sensible financial decisions, they need to have a basic understanding of what drives financial markets, and the costs and benefits of investing in different assets – even if they do not manage these assets on a daily basis. More widespread understanding of wealth management is both desirable and feasible, and O'Connor's book provides an excellent foundation. Whether readers will emerge as the stock selection superstars of the future, however, is more open to question.

The reviewer is chairman of Gartmore Investment Management. A Guide to Stockpicking is available from FT Bookshop by ringing Free-Call 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

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Emu could be put to the test by running currencies in parallel

From Mr Chris Fogg.

Sir, The issue of Emu is dividing politicians, economists and could change the government of the UK. Frankly I do not believe anyone knows whether the outcome will be positive or negative, as this depends on what happens to the different countries involved, both before and after the scheme comes into effect.

Many people are nervous about joining a scheme that could not only have adverse effects but also restricts the government's ability to rectify the position. It also seems to be a large, irrevocable step towards a federal Europe.

My solution? A two-tier arrangement in which the government would deal with Europe in euros, while resident companies and individuals in the UK could use either pounds or euros. Companies would then trade with Europe in euros but retain flexibility for other markets. Individuals would be able to open bank and savings accounts in both currencies. Companies could discuss with their employees whether they wanted to be paid in pounds or euros – a real life referendum.

This solution in fact already works. Many companies trade overseas in US dollars while they maintain their affairs in the UK in pounds.

I would propose the two methods work side by side until it becomes clear whether it would be advisable to convert to a single currency.

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A turn up a blind alley on Keynes

From Mr Robert Bonner.

Sir, in "Spurning Keynes" (November 4), methinks America columnist Michael Prowse doth protest too much – particularly about a man once described as the "providential saviour of the bourgeois order", one who "came to save the system, not to bury it".

"Today, after a diversion up Keynes's blind alley," Prowse writes, "economists seem again to be reverting to the traditional view that the flexibility of markets – not government intervention – is the key to lasting prosperity and high levels of employment."

Here it happens to be Prowse who has taken a turn up a blind alley. What, after all, was Prowse's reason for juxtaposing markets and government? The history of tha present already proves that markets themselves tend towards one form or another of inequity and dictatorship. To argue that the "flexibility of markets – not government intervention" is the key to a more prosperous world is to argue nothing. For it leaves unasked, let alone unanswered, the critical questions: might not a government be *democratic* (with a small "d")? And what in the end does greater prosperity mean for the mass of humankind?

As the UN development programme formulates the issues in its 1996 *Human Development Report*: "What are the benefits to human development, and what are the costs? Who benefits, and who pays?" These are the humanly meaningful questions that Prowse's overly rigid markets-versus-government mindset excludes from consideration.

Prowse's "spurning" of Keynes (and everything that Keynes's name has come to stand for) smacks of something else, I'm afraid. Ultimately, it is the *human* dimension of Keynesian economics that Prowse spurns. There is no "market" clever enough to save us from that dead end.

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Fair use of competitive advantage

From Mr Jeff Atkinson.

Sir, Caroline Southey ("EU ducks WTO labour rights issue", October 30) reports that the EU sees developing countries using low wage rates to gain competitive advantage as a problem. Surely if a company or a country can produce a product more cheaply than others, it is perfectly legitimate for it to use that to its own commercial advantage.

The real problem arises when costs are kept low and competitive advantage won by denying workers their fundamental rights to, for instance, a safe and healthy working environment or an adequate diet – and when those who try to do something about this are harassed, imprisoned or worse.

What Oxfam and the trade union movement want discussed at the World Trade Organisation meeting is not the low wage advantage of developing countries, but the use of trade agreements to protect workers' basic rights – including the right to organise and bargain collectively – as laid down in International Labour Organisation conventions.

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Assumption on funded pensions is flawed

From Mr Benjamin Meuli.

Sir, Further to your leader "Repaying old debts" (October 30), I would like to point out another flawed assumption in the recent report by the Commons social security committee: that the "funded" private-sector pension liabilities that exist in the UK are somehow less of a concern than the "unfunded" public-sector pension liabilities that exist elsewhere on the continent.

In fact, from the point of view of the economy as a whole, there is not much difference between them. In either case the (growing) retired population has a claim on the productive output of the (declining) retired population.

It matters little whether this claim is expressed through the tax and social security system or via the right to receive interest and dividends. Indeed, if "funded" pension plans are invested in domestic government bonds the difference is negligible.

Furthermore, it is arguable that the funded systems existing in tha UK and the US have simply laid tha foundations for the longest and deepest bear market in history in the early quarter of the next century, as the retiring baby-boomers start to liquidate their savings by selling them to – who? Arguably for those affected this will be just as cruel a deception as default by governments on their unfunded pension promises.

As it happens, there are good reasons to prefer funded pension systems to unfunded ones – but don't let's pretend they make the problem disappear.

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COMMENT & ANALYSIS

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Thursday November 7 1996

Now it's the world, stupid

Second-term American presidents tend to find their attention turning from the home front to the wider world. Stymied by domestic opposition, they discover in foreign affairs greater scope to leave a mark on history. Will Mr Bill Clinton, who once proudly abjured foreign policy pretensions, now adopt a similar course?

There is every incentive. The Republican-controlled Congress will want to shape the domestic agenda. More than that, Mr Clinton – after the painful early learning curve – has shown himself capable of a surer touch in foreign affairs over the past year. His task now is to translate that into leadership.

The first term contained good and bad. Time was wasted in fruitless confrontations with China over human rights and Japan over trade. US blundering contributed to a dangerous split among the western allies over Bosnia and the future of Nato. The debacle in Somalia caused Mr Clinton to turn away from the United Nations. An electioneering president signed legislation that sparked unnecessary rows with Europe over trade with Cuba, Libya and Iran.

More positively, Mr Clinton secured beneficial trade agreements; acted decisively in crises on the Korean peninsula and in the Taiwan strait; and pressed his mediation services – to varying effect – on warring parties from Northern Ireland to the Middle East. More often than not, his instincts have favoured international engagement and open markets over isolationism and mercantilism.

There have been two common themes to his foreign fumblings. First, he has failed to articulate a coherent framework for US strategic and economic interests after the cold war. Second, his administration's approach has often been ill-co-ordinated, lacking in political weight, and prone to manipulation by vested interests. The resulting policy lurches have infuriated allies and left other important partners off balance.

To an extent US foreign policy is bound to be reactive. The public shows no appetite for moral visions of America's role. In any case, contemporary crises do not all lend themselves to clear-cut solutions made in Washington.

Nevertheless, there are ways in which Clinton mark two can do better. One is to appoint a new foreign policy team with political clout. This will be particularly important given the need to deal with Congress on contentious issues such as the global integration of China. Mr George Mitchell, a former Senate *majority* leader, would be a good secretary of state.

As important, the president needs to show he understands that international problems are best settled by multilateral rather than unilateral action, and that without US leadership the effectiveness of multilateral action is severely undermined. That applies to trade, where America's election-year recalcitrance has hampered efforts to extend liberalisation. It also applies crucially to strategic concerns such as the continuing crisis in the former Yugoslavia.

Bosnia is the first test. The allies must shortly decide on extending their military presence into next year, and without US troops the effort will fall apart. The world is watching.

Bank's note

What the Bank of England is telling the UK chancellor not to do in his November budget is a secret, but the tone of voice was loudly broadcast yesterday.

In its latest Inflation Report, the Bank is significantly more pessimistic about the prospects for inflation and the need for interest rises to curb it. Despite its usual reticence, the logic of its analysis is clear: the quarter point rise in base rates to 6 per cent last month may have been too little and the next one may be too late.

The expansion of broad money, evidence of skills shortages and a tightening of the labour market all point in the same direction, although not unambiguously. The Bank's latest forecast suggests that the inflation rate may scarcely dip into the 2.5 per cent target range before rising after 1997.

Although the present inflation rate, at just under 3 per cent, is low by British standards, it is still almost twice the rates in France and Germany. And the deteriorating outlook in the UK is particularly disturbing in relation to the government's deficit, which, at 3½ per cent of GDP, is much too high for the present stage in the recovery.

It may be that the Bank is shouting a little to be heard above the hubbub of preparations for the next general election. But it is right to resist the view that the 9 per cent rise in sterling since August could be offset by an easing of interest rate policy. Samuel Brittan (opposite) argues the case against an over-restrictive Budget. The Bank's analysis points to the need to avoid fiscal loosening. The latest inflation outlook must weight the argument in favour of prudence.

EMI talks tough

Two of the main characters in the European single currency drama yesterday revived an old favourite – the good cop, bad cop routine. Both played their part rather well. But those who want to make a long-term success of monetary union ought to have listened to the bad guy.

The temptation for most governments will instead be to take comfort from the words of the good cop, appearing in Brussels. In its latest twice-yearly report on European economic prospects the European Commission painted a glowing picture of progress towards monetary union. It claimed the end was in sight: 12 countries would meet the Maastricht criterion that has caused the most trouble, by reducing their general government deficit to 3 per cent of GDP or less by 1997.

But then came the bad cop of Frankfurt, also known as the European Monetary Institute. In its first official convergence report tha forerunner of the European Central Bank was rather more sparing in its praise for recent deficit reduction efforts. It complained that "progress in fiscal consolidation has generally been too slow".

The authors laid down an important marker in arguing that neither one-off measures before 1999, nor the promise of a fiscal stability pact thereafter was a substitute for decisive action now to rein in public borrowing by many would-be Emu members. Without such efforts, it argued, the financial markets could well size up the long-term fiscal implications of high European unemployment and an ageing population and find the euro-area wanting.

Few will have been surprised by the EMI's lecturing. Central bankers are supposed to sound tough – particularly when they have not yet had the opportunity actually to be tough. As the likely list of members of Emu expands, Germans, especially, need plenty of reassurance that the euro will not be softened by the inclusion of upstarts such as Italy and Spain.

Many, then, are likely to listen respectfully to the EMI's warnings, without taking them to heart. After all, everyone knows that it is politicians, not central bankers, who will really have the final word on which countries qualify for Emu. So why not stick to the European Commission's version of events? It may be unrealistic, but so are most politicians.

In their hearts, however, those who seriously wish Emu to work know they cannot afford to be so cavalier. First, even the Commission's rose-tinted spectacles cannot blind it to all the potential flaws in governments' souped-up 1997 budget plans. Italy, for example, is betting on a 2 per cent growth rate next year to help it reach its deficit targets: the Commission reckons it will grow by only 1.2 per cent.

Second, and more important, the financial markets have so far been all too willing to give politicians the benefit of the doubt in their optimism about Emu. But sooner or later investors will want to see the fine words about fiscal stability supported by the numbers on individual countries' balance sheets. The precise timing, and membership of Emu can be fixed by political sleight of hand: its long-term credibility cannot.

After the celebrations

A Republican Congress and the shadow of Whitewater could make Bill Clinton's second term a challenging one, says **Jurek Martin**

Bonfire Night may be abont gunpowder, treason and plotting in Britain, but November 5 in America was Thanksgiving and Christmas rolled into one. Rarely has the US electorate been so generous with its presents.

It gave Mr Bill Clinton a solid vote of confidence by returning him to a second presidential term, on the back of victories in 31 states and with 109 votes to spare under the electoral college system. Pending the final count it may even have added the psychologically important wrapping of 50 per cent support in the popular vote – better, in any event, than the measly 43 per cent of four years ago.

It enabled Mr Bob Dole, his Republican opponent, to retire with dignity by not burying him in the sort of landslide that has engulfed other losing presidential candidates. Nor did he drag his Congressional party down to defeat with him. By holding on to their majorities, the Republicans managed to win two consecutive elections for Congress for the first time since 1930. Mr Dole's final concentration on California may have helped save vital western seats in the House of Representatives.

This translates into a general sense of public satisfaction. Americans may not entirely trust their president, but they think he is pretty good at managing their affairs, especially the economy. They also again proved they do not mind divided government, with, this time, a Democratic president counterbalancing the more conservative inclinations of a Repnblican legislature, and Congress keeping careful watch on the nation's chief executive.

Their message, as Mr Clinton put it in his victory speech on Tuesday night, is that they want both sides to "work together" for the common good and promptly to forget the partisan and bitter nature of much of this long campaign. Even Speaker Newt Gingrich, the most polarising personality in modern politics, was saying yesterday morning: "We don't have to live in a world of confrontation."

That may be desirable but it is not inevitable. Whatever Mr Clinton's second-term agenda, notoriously the most difficult to implement for any incumbent, and regardless of the reshuffled policy team he sends into action, there is one matter of outstanding business that will severely test the limits of bipartisanship.

It goes by the generic name of Whitewater, but now embraces allegations against the White House going far beyond real estate dealings in Arkansas many years ago. Mr Kenneth Starr, the special counsel and a staunch Republican, deliberately released no indictments or exonerations before the election but now is under no such constraint. To all the "-gates" previously bedevilling Mr Clinton's men and women must be added investigations into Democratic party fund-raising, mostly from Asian sources.

The Republican control of Congressional powers of subpoena could mean a repetition of the past two years, when the likes of Senator Al D'Amato of New York have regularly impugned the integrity of administration officials and their prime suspect, Mrs Hillary Rodham Clinton.

But on election night, Senator Trent Lott, the majority leader, sounded less fierce. Recognising that, in the election, the public had discounted the scandal factor, he did not think bot pursuit of the Clintons should be "a top priority" of the new Congress.

However, his accommodation fails to take into account the mood of the country's hard right – the talk show hosts and newspapers such as the Wall Street Journal (its editorial pages, not its news columns) and the Washington Times. Having failed to persuade the electorate to evict Mr Clinton, their determination to make his second term a misery – even to bring him down – should not be underestimated. They may be assisted, if not with the same political intent, by mainstream media never entirely comfortable with this president and always mindful of their duty to dig for dirt.

This may cast a large cloud over Mr Clinton's hopes for his second term, although it may also impel him into hyperactivism. But it will be a "busy-ness" of the centre, not, as Republicans charge, of the left. His record of the past two years, plus the nature of a campaign in which he appropriated the middle, should surely have removed the last shreds of suspicion that a flaming liberal wolf will now burst out of a moderate sheep's clothing.

He may not be able to control the economic cycle, but steady-as-we-go policies will continue to be applied, not least by Mr Alan Greenspan, chairman of the Federal Reserve (and a Republican to boot). Gradual deficit reduction will remain a guiding star, as will targeted tax cuts for educational purposes and for homeowners. It would be a big surprise if the Republicans challenged him with the sort of deep across-the-board tax reductions that could not rescue Mr Dole.

By common consent, the president's biggest domestic problems in his second term concern federal entitlement programmes. The greatest single favour he could do for vice-president Al Gore, early favourite for the Democratic nomination in 2000, would be to restore financial health to Medicare, covering nearly 40m older Americans and, according to its own trustees, facing insolvency early in the next century.

A likely approach is through a bipartisan presidential commission. Mr Dole must be a candidate to head it, not least because of his service on the social security reform panel early in the 1980s, and some observers thought be was inviting such an appointment in his concession speech. The task is technical and daunting, but at least Mr Clinton's election victory served to de-link Medicare from tax cuts.

> He may not be able to control the economic cycle, but steady-as-we-go policies will continue to be applied

The president's most fruitful area for innovation and experimentation must surely lie in education, the emphasis on which was a key to his success. The federal Department of Education is safe, as is Americorps, the youth national service programme, both Republican targets for elimination. The debate over state versus private schooling has been settled in favour of the former. Mr Clinton likes semi-independent "charter" schools inside the state system but will discourage vouchers for private education.

There is a very good chance he will have at least two Supreme Court vacancies to fill, one that of the conservative chief justice William Rehnquist, thereby leaving a judicial imprint long after he has left the White House. After his first re-election in 1936, Franklin Roosevelt tried to pack the highest bench with political cronies. But Mr Clinton's two appointments to date – Justices Ruth Bader Ginsberg and Stephen Breyer – are a better guide to his preferences for legal scholarship and pragmatism over ideology.

He will also bring new faces into his administration. According to Mr George Stephanopoulos, the president's right-hand man, Mr Clinton "wants to move in a bipartisan direction". That could mean jobs for the odd Republican, such as Senator Dick Lugar of Indiana, or even retired General Colin Powell, possible candidates for the state or defence departments. Two former moderate New England senators – Mr Warren Rudman from New Hampshire and Mr William Cohen from Maine – may also be under consideration.

Yesterday Mr Warren Christopher, the secretary of state, said be would resign early in the new year, and Mr William Perry, the well-regarded defence secretary, may depart a few months later. No clear favourites to succeed Mr Christopher have emerged, though Mrs Madeleine Albright, now ambassador to the UN, and Mr George Mitchell, former senator and Northern Ireland negotiator, are frequently mentioned.

His last national election now over at the age of only 50, the principal burden for the second term rests on Mr Clinton himself. It would be churlish after this campaign to deny that he is one of the great communicators of contemporary politics, fit to compare with Mr Ronald Reagan, yet more versatile and protean. His capacity to recover from personal and political depths might have been noted back in Arkansas and in 1992, but on Tuesday received the ultimate public seal of approval.

He has no rivals now for the bully pulpit, as Theodore Roosevelt once called the White House. How he chooses to use it is strictly up to him, once be finiehee unwrapping his presents.

· OBSERVER ·

The Donald in Moscow

■ There's a time-honoured tradition of Russian strongmen using the Moscow skyline to put their mark on history. Legend has it that one tsar blinded the architect who designed St Basil's Church – the many-domed red masterpiece that presides over Red Square – to prevent him from ever again designing a church so beautiful.

Today, Yuri Luzhkov, the influential mayor of Moscow, has inaugurated a new construction frenzy, which includes a massive monument to Peter the Great (described rather hopefully as "our statue of liberty").

This Slavic crew could soon be joined by an American builder with an almost equally fierce reputation for fighting to get his own way – Donald Trump, in Moscow this week to scout out sights for "a super luxury residential tower".

Trump, planning what would be his first foreign project, can expect a rough ride in the wild east – where contract killings have become an almost routine means of settling commercial disputes and the country's highest officials are constantly becoming the subjects of fresh corruption scandals.

Real estate development was never that tough back in the Big Apple.

Bubble bursts

■ Tokyo is set to lose one of its more eccentric assets, the world's only underwater musical, after an unbroken 32-year run.

Reiko Kondo's Aquatic Ballet Troupe will on December 1 give its final performance of the *Little Mermaid* in the western Tokyo suburb that has been its home since 1964.

The show – axed by its management on the grounds of safety and cost – has been running in a cinema-like hall. But instead of a screen, the audience faces the glass wall of a 4,300 tonne, 11-metre deep tank of water. However, the Kobe earthquake reminded owner Yomiuri Land that the entire audience would drown if a similar shock were to occur in Tokyo. In these hard times, the company could not afford to make the tank quake-proof.

The show was brought together by the late Matsutaro Shoriki, founder of Yomiuri Land, an amusement park operator, who wanted to recreate a Japanese fairy tale about an undersea castle.

He turned to Ms Kondo, now 73, founder of a classical ballet troupe, to get the project under way. She devised an ingenious system so that the performers – unlike synchronised swimmers – could stay underwater for the whole show. They breathe through tubes that look a bit like microphones, and are kept at stage level with the aid of small weights strapped to their waists. Pre-recorded words are broadcast in the auditorium and the underwater dancers move their lips in time.

At least a year's training is required to teach them how to avoid taking in water through the nose, and another five years to express emotions convincingly. If it weren't for the paraphernalia, they could try a world tour, says Kondo's daughter, Yumi, who designs costumes for the group. Surely some entrepreneur somewhere must be willing to take the plunge and rescue them?

Stamped out

■ International observers yesterday pronounced free and fair Sunday's elections in Romania that ousted the former communists in favour of the centre right opposition. But not everything was perfect.

Voters turned up to find ballot books with some pages blank – and nearly 5 per cent of the votes had to be declared void. This was an improvement, admittedly, on four years ago when more than 10 per cent were annulled.

Meanwhile, the chauffeur of the tourism minister was found helpfully stuffing a handful of ballots, favouring his boss's party, into the box, and the local party chief in Bihor county appeared with the voting papers of four family members and kindly voted on their behalf.

Coolest was the response of the head of a polling station in Braila caught sitting by the Danube filling in blank ballots in the ex-communists' favour. He explained that he was annulling unused sheets and that he was about to void them by stamping them again.

Fission fixture

■ Jean-Claude Leny's 68th birthday on December 4 will probably not be the happiest he has spent. The French government said yesterday that would be the date he would step down as head of Framatome, the French nuclear plant and fuel manufacturer he has run for the past 16 years.

It has long been known that Leny was off before the end of the year. But there is nonetheless a sense that this well-known critic of plans to merge Framatome with the GEC Alsthom power engineering and transport equipment group is being ushered away into retirement with indecent haste.

The Financial Times

100 years ago

The American Presidency

Nothing has become Mr. Bryan so well in the whole course of the Presidential contest as the sportsmanlike way in which he has accepted his defeat. "We submitted the qnestion to the American people, and their will is law," he said. We wished that Mr McKinley had been equally restrained in his tone. His success bas upset his staid demeanour, and his peean of joy reminds one of a field preacher's peroration rather than of a prologue to a new President's reign, as wben he remarks of tbe American people: "They have indeed again consecrated themselves and tbeir country and baptised tbe cberisbed ordinances of free government with new and holy patriotism." This a rather florid way of saying that tbey bave voted for William McKinley.

50 years ago

Wall Street Falls

Althougb Wall Street was cabled as being greatly pleased witb the sweeping victory gained by the Republican party in the U.S. mid-term elections, stocks reacted yesterday in one of tbe sbarpest setbacks this year, with losses ranging to $5. Early gains quickly cbanged to losses on profit-taking.

FINANCIAL TIMES
Thursday November 7 1996

Report says slowdown was temporary blip

Asian export growth to accelerate next year

By Edward Luce in Manila

The sharp slowdown in Asian export growth in 1996 is a "temporary blip" and the region will return to long-term trend growth rates in 1997, according to a report to be published next week.

The report, by a panel of regional analysts including economists from the Asian Development Bank and US investment banks Morgan Stanley and Salomon Brothers, says the slowdown in Asian exports in the first half of 1996 is reversing.

In China, for example, where exports fell 8 per cent in the first six months, there are signs that orders are picking up enough for the country to register 6 per cent export growth for the year as a whole.

Average regional export growth is expected to recover to 13 per cent in 1997 after only 7 per cent in the first half of 1996. Asian exports grew by 20 per cent in 1995.

"The slowdown in Asian exports this year is just a salutary pause for breath which is already showing signs of ending," said Mr Vishvanath Desai, chief economist at the ADB.

"Governments are using the opportunity to look at longer-term issues of competitiveness, such as skills shortages and the over-concentration of exports in certain sectors."

The panel estimates 7.3 per cent average gross domestic product growth for the region in 1996 and 1997 – down from the 7.9 per cent in 1995.

The depreciation of the yen, which hit Korean and Taiwanese exports particularly hard this year, has slowed significantly.

The collapse of global demand for semiconductors, which account for a large share of the region's exports, is already beginning to reverse. The panel predicts regional semiconductor and electronics exports will grow more quickly in 1997 as global prices recover.

"Cautionary monetary policies" in China, Thailand and Malaysia, in response to worries about economic overheating in 1995, have stabilised inflation in those countries, says the group. Average inflation for developing Asian countries is expected to fall to 5.5 per cent in 1997 compared with 8 per cent in 1995.

"To a certain extent the slowdown of exports this year was an optical illusion," Mr Desai said.

"This is because export growth was unusually high in 1994 and 1995. The long-term trend is 12-13 per cent growth a year and we are fully optimistic that the region will achieve that rate in 1997."

USAir places biggest order with Airbus

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie, the European manufacturing consortium, yesterday announced its biggest ever order – for up to 400 single-aisle aircraft for USAir.

Airbus said the US carrier had placed 120 firm orders for A319, A320 and A321 aircraft. These have a total list price of about $5.3bn, although USAir is likely to have won substantial discounts.

This is the first time USAir has ordered Airbus aircraft and a further example of USAir distancing itself from British Airways, its UK partner. BA's fleet consists overwhelmingly of Boeing aircraft.

USAir has ordered an additional 120 aircraft on a reconfirmable basis and arranged options on a further 160. Airbus said it would increase production of the A320 family, covering all the aircraft USAir is ordering, from nine a month this year to 14 a month in 1997 and 18 a month in 1998.

Mr Stephen Wolf, USAir chairman, said his company selected the aircraft because they were flexible and environmentally friendly.

USAir has said it will end its code-sharing and frequent flyer arrangements with BA next March and has objected to BA's proposed alliance with American Airlines.

BA has some Airbus aircraft which it acquired when taking over other airlines, but it has never purchased an Airbus. Although airline alliances between carriers with different fleets are possible, the more aircraft that partner airlines have in common, the greater the savings they can make by pooling maintenance, training and the purchase of spare parts.

The USAir order is a strong boost for Airbus, which is owned by Aerospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain.

Airbus suffered a string of defeats at the hands of Boeing, with the US company winning a large order from Singapore Airlines at the end of last year and from Malaysia Airlines earlier this year.

Airbus says it has suffered in the past from not being able to offer as extensive a range of aircraft as Boeing. The European manufacturing consortium has no large aircraft to compete with the Boeing 747-400, which carries 400 passengers.

Airbus is planning, however, to build the A3XX, a 550-seater, to compete with Boeing's "stretched" 747, which will also carry 550 passengers.

Major to warn against easing terms for Emu

By John Kampfner in London and David Buchan in Paris

Mr John Major, UK prime minister, will tell President Jacques Chirac of France today that European monetary union will not succeed if political pressures to meet the planned 1999 start date lead to any loosening of the strict convergence criteria.

Differences over Emu and the European Union's intergovernmental conference are expected to be central issues at a Franco-British summit in Bordeaux, which opens with a dinner tonight and continues with formal talks tomorrow.

But British and French officials said yesterday the controversial use of a one-off payment of FFr37.5bn ($7.4bn) from France Télécom to ensure that France's 1997 budget deficit achieves the Maastricht treaty target – a maximum of 3 per cent of gross domestic product – would not be an issue between the two leaders.

"The issue is closed because European Union institutions have approved this payment," the Elysée said yesterday. The French president "can therefore, with his hand on the [EU] treaty, assure Mr Major that France will conform with the criteria for monetary union".

British officials said it was a matter for the European Commission, and only ultimately for member governments, which are likely to take the final decision on Emu qualification early in 1998.

But one official said: "If it goes ahead it's important it's set up on a basis that's sustainable. We're in there negotiating and one way or another a single currency is going to affect the UK."

Mr Major and Mr Chirac will also discuss the Franco-German plan for a proposed flexibility clause in the current intergovernmental conference on the reform of EU institutions. This would allows groups of EU states to integrate more quickly than others in areas of external and internal security and has stirred British fears of exclusion.

But the Elysée claimed it should be in London's interest that such "co-operation should be within the framework of the EU treaty". This would "avoid a certain number of countries trying to advance [their integration] outside the treaty".

Mr Major, who last month consolidated a truce in his own party with his "wait-and-see" approach to Emu, is under strong pressure from Conservatives to talk tough to EU partners over a series of forthcoming challenges.

However, the British side stressed that Mr Major and Mr Chirac found common cause on several proposals for EU reform such as the reweighting of votes between member states, the size of the commission and the role of national parliaments.

To highlight the extent of bilateral co-operation between Britain and France, Mr Major will be accompanied by five senior ministers.

A Franco-British accord on naval co-operation is due to be signed in Bordeaux today.

Clinton

Continued from Page 1

41 per cent for Mr Bob Dole, the Republican candidate, and 8 per cent for Mr Ross Perot of the Reform party.

The president's victory in the electoral college was much more decisive, with 31 states and the District of Columbia giving him 379 votes to 159 for Mr Dole from 19 states.

German car parts

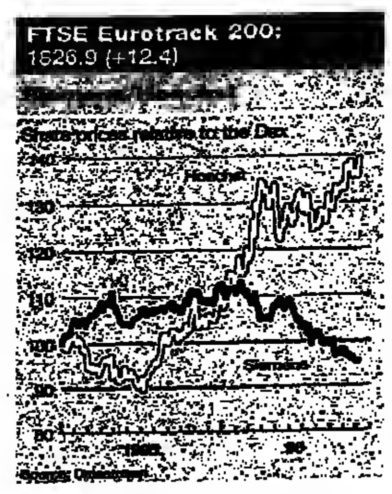
Continued from Page 1

in current levels of overcomplexity ... and a focus on strategically important [management] levers [for change]". In the case of Germany "top management commitment to quality, which has been only average to date, will need to greatly increase", the report warns, while companies will also need to follow the UK example of operating more "teamworking" on factory floors to harness the "problem solving" skills of employees.

However, the research sparked controversy among other consultancy firms such as the Economist Intelligence Unit, which said McKinsey's methodology was open to question.

THE LEX COLUMN

Comeback kid



Financial markets got what they wanted from the US elections – not Mr Bill Clinton, not Mr Bob Dole, but the status quo. Wall Street has little affection for or trust in Mr Clinton, but is happy to live with him while he is constrained by a Republican-controlled Congress. Yesterday's stock market rally reflected relief that the feared scenario – both the White House and Congress in Democrat hands – had been avoided. While US politics may present little threat to this euphoria, there are other reasons to query the durability of the rallies in US stocks, bonds and the dollar.

For shares, the risk is stagnation or retreat rather than disaster. Valuations are already stretched – the S&P 500 index is on a historically high price/earnings ratio of 18 – while earnings growth is slowing fast, down to only 4 per cent, year-on-year, in the third quarter. For bonds, the danger sign comes from abroad: the rise in the OECD leading indicator, which traditionally heralds rising global interest rates.

The main risk to the strong dollar lies in renewed trade friction with Japan. With the election out of the way, one can expect to hear more from disgruntled US car companies and frustrated trade negotiators who have recently maintained a monastic silence. The sharp rise in Japan's trade surplus in the first 20 days of October can only have increased the likelihood of tension. It would be churlish to intrude on the celebrations, but 1997 is unlikely to be as happy a year for Wall Street as 1996.

Emu

The European Commission and the European Monetary Institute yesterday performed their traditional good cop, bad cop routine. The Commission's review of economic conditions in the European Union was predictably sympathetic. Twelve of the 15 EU members, it believes, will next year meet the crucial 3 per cent Maastricht deficit criterion. The EMI, by contrast, took a sterner view: a stability pact is no substitute for sound public finances; deficit reduction should be a matter of substance, not the window-dressing of accounts. All of this was as expected, allowing the convergence bandwagon to proceed on its merry way.

There remains, however, a number of risks. One is a split over the post-Emu stability pact. Germany is pushing for tougher measures than its EU partners. This may simply be political grandstanding, but Germany's resolve, and the potential for a rift, cannot be dismissed. A row is also brewing between Italy and France over the re-entry level of the lira into the European exchange rate mechanism. On both these issues compromise is possible, though not automatic.

The same cannot be said for the state of the European economy. Low growth in the first half of 1997 presents the single biggest risk to the Maastricht timetable. And the omens from Germany, which ramify across Europe, are not good. Tantalisingly, no amount of political will or accounting fudge can conjure up absent growth. The fat lady may yet sing, but she is not on stage yet.

Hoechst/Siemens

Most German companies claim to be pursuing shareholder value these days. A look at Hoechst and Siemens shows that can mean very different things.

Hoechst's decision to separate its operating businesses into six independent legal entities is novel for Germany and way ahead of the thinking at rivals such as Bayer. Each division will be run independently and produce financial figures under US accounting standards. That will increase transparency for investors; prevent divisions hiding poor performance; and give businesses freedom to pursue acquisitions and joint ventures. But Hoechst is not following its logic through: if it really wants to maximise value, it should demerge these businesses, as Imperial Chemical Industries did with Zeneca. By retaining them inside one group – though a minority stake in the drugs arm will probably be floated next year – Hoechst is in effect saying it can allocate resources more efficiently than the stock market, which is a brave claim.

Like Hoechst, Siemens can honestly say it has been restructuring. But in this case that translates into little more than cost cutting and a push into Asia. The result is yesterday's shock warning of flat profits this year when a double-digit increase had been expected. Mr Heinrich von Pierer, chairman, rejects any suggestion of demergers. But he will have to come up with something more imaginative to win back credibility.

East Midlands/Dominion

Dominion Resource's non-bid for East Midlands Electricity looks stingy. The US power group has, of course, not decided that it will make a bid. And, as for price, all it has said is that its "present view" is that it will not offer much more than 608p a share. But 608p a share is most unlikely to win.

The best way of calculating a fair take-out price for East Midlands is to compare it with CalEnergy's offer for Northern Electric. Superficially, CalEnergy's 630p bid for Northern is equivalent to an offer of around 608p for East Midlands; both work out at roughly 9 times expected current year earnings. But there is a big difference. Northern is highly geared, with interest cover of a little over 4 times. By contrast, East Midlands' net debt is less than 20 per cent of its market capitalisation and interest cover is nearly 9 times. Taking the different debt levels into account, analysts calculate Dominion would have to offer around 670p-700p a share to give value equivalent to the CalEnergy bid. Add in the fact that East Midlands' management has a better reputation than Northern's and one could push for a little more. But the market should not get carried away. There must be a chance that the UK government would block any bid because the number of independent regional electricity companies is becoming so depleted that it will prove hard for the regulator to get the necessary information to do his job properly.

Additional Lex comment on Tomkins, Page 24

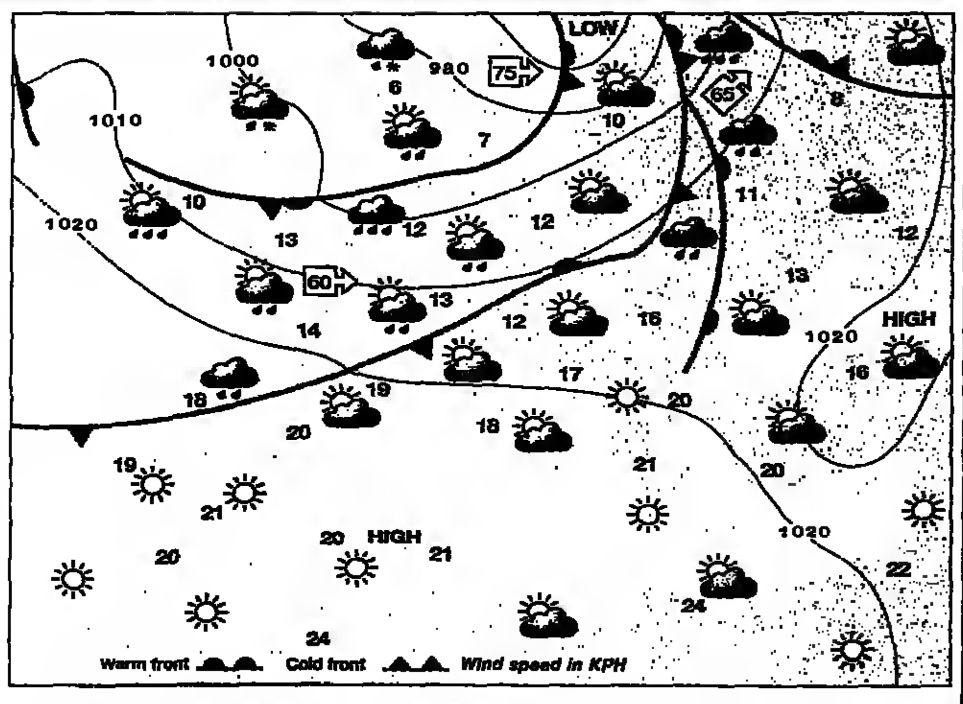
FT WEATHER GUIDE

Europe today

Most of Europe will be very unsettled. Scandinavia will have abundant cloud and precipitation. Central Norway and Sweden will have snow or sleet and Finland will have a lot of rain. A westerly flow will be accompanied by numerous showers in countries around the North Sea. It will be sunny over southern Europe and near the Black Sea. There will be a wide range of temperatures across the continent. Central Norway will be below freezing while the Mediterranean will have afternoon temperatures around 20C.

Five-day forecast

Unsettled conditions will remain as a westerly air flow continues around a depression in the Atlantic. Most of western Europe will have rain or showers while southern Europe will be generally cloudy.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	30
Accra	fair	32
Algiers	fair	21
Amsterdam	shower	12
Athens	sun	21
Atlanta	shower	26
B. Aires	sun	21
B.ham	shower	11
Bangkok	shower	33
Barcelona	sun	20
Beijing	fair	14
Belfast	shower	7
Belgrade	sun	17
Berlin	shower	17
Bermuda	shower	26
Bogota	rain	19
Bombay	sun	33
Brussels	shower	13
Budapest	fair	14
C.hagen	cloudy	9
Cairo	sun	25
Cape Town	fair	24
Caracas	shower	31
Cardiff	shower	11
Casablanca	sun	22
Chicago	sun	11
Cologne	shower	13
Dakar	sun	31
Dallas	fair	16
Delhi	sun	30
Dubai	sun	31
Dublin	shower	10
Dubrovnik	fair	16
Edinburgh	shower	8
Faro	sun	20
Frankfurt	shower	13
Geneva	shower	16
Gibraltar	sun	18
Glasgow	shower	7
Hamburg	shower	11
Helsinki	rain	8
Hong Kong	fair	30
Honolulu	fair	30
Istanbul	sun	18
Jakarta	fair	31
Jersey	shower	11
Karachi	sun	32
Kuwait	sun	31
L. Angeles	sun	27
Las Palmas	fair	26
Lima	cloudy	21
Lisbon	sun	19
London	shower	13
Lux.bourg	shower	11
Lyon	shower	16
Madeira	fair	23
Madrid	sun	17
Majorca	sun	21
Malta	sun	21
Manchester	shower	10
Manila	shower	31
Melbourne	sun	19
Mexico City	fair	23
Miami	fair	29
Milan	fair	30
Montreal	rain	10
Moscow	drzzl	10
Munich	shower	14
Nairobi	fair	25
Naples	fair	18
Nassau	fair	29
New York	cloudy	19
Nice	fair	18
Nicosia	sun	21
Oslo	cloudy	5
Paris	shower	14
Perth	shower	23
Prague	shower	14
Rangoon	fair	30
Reykjavik	fair	4
Rio	fair	25
Rome	fair	18
S. Frsco	sun	19
Seoul	cloudy	14
Singapore	thund	32
Stockholm	shower	7
Strasbourg	shower	14
Sydney	shower	19
Tangier	sun	22
Tel Aviv	fair	24
Tokyo	fair	17
Toronto	rain	9
Vancouver	rain	12
Venice	fair	10
Vienna	cloudy	14
Warsaw	cloudy	13
Washington	shower	24
Wellington	shower	14
Winnipeg	snow	3
Zurich	rain	14

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 7 1996

IN BRIEF

German banks examine merger

Bankgesellschaft Berlin, Germany's sixth-largest banking group, confirmed it was examining plans to merge with Norddeutsche Landesbank. The move would put the merged group among the country's three largest banks by assets. Page 20

Citic may take HK$5bn stake in Unicom
Citic Pacific, the Hong Kong arm of China International Trust & Investment Corp, Beijing's flagship investment vehicle, is considering an investment of up to HK$5bn (US$647m) in Unicom, China's second telecoms operator, and reviewing its 8 per cent stake in Hongkong Telecom. Page 18

Swedbank and Christiania forge ahead
Sweden's Swedbank reported a 23 per cent jump in underlying profits to SKr3.8bn ($573m), while in Norway Christiania Bank said operating profits before write-backs of loan loss provisions increased 11 per cent to NKr1.4bn ($217m). Page 19

YPF unveils venture with Amoco
Argentina's YPF, Latin America's biggest private oil group, announced third-quarter profits of $231m – at the top end of expectations. It said its Maxus unit was to form a joint venture with Amoco of the US aimed at cutting costs of oil and gas operations in the Texas Panhandle and western Oklahoma. Page 23

Metsä to sell chemicals division
Metsä-Serla, the Finnish pulp and paper group, is selling its highly profitable chemicals division for FM1.05bn ($230m) to Industri Kapital, a Swedish and UK-based venture capital company. Page 20

Pilkington drops spin-off plan
Pilkington, the UK-based glassmaker, has abandoned plans to spin off a 49 per cent stake in its Australian subsidiary, Pilkington Australasia. Instead it is investing A$50m (US$39.6m) to reinforce the subsidiary's position at the heart of its fast-growing Asian automotive glass operation. Page 24.

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW Prf	653	+	14.5
GEA Prf	514	+	12
SAP AG	207.3	+	11.8
Schmalbach Lub	308	+	5
Falls			
Goldschmidt	636	–	23
NEW YORK ($)			
Rises			
Conseco	58½	+	4⅛
Paul Revere	29⅝	+	3⅛
Sierra Health	27⅜	+	4⅛
United Health	40⅝	+	3⅝
Falls			
Cavalier Homes	15⅝	–	1⅛
Meadowbrook	15	–	10⅝
LONDON (Pence)			
Rises			
Benson	48½	+	6½
East Mid Elec	607½	+	70
Imp Tobacco	373½	+	20½
UPF	136½	+	9
Falls			
Mackie Intl	187½	–	27½
Yorkshire Food	28½	–	14
TORONTO (C$)			
Rises			
Becker Milk	16	+	1.5
Burcon Intl	10	+	2
Investors Grp	28.4	+	2.05
Teleglobe	35.45	+	3.15
Falls			
Mosaid Tech	15.6	–	1.4
Spectrum Sig	9	–	1

PARIS (FFr)			
Rises			
Accor	662	+	21
Bancaire Comp	538	+	18
Sulbert	845	+	25
Moulinex	105.0	+	5.1
Falls			
Eridania B-S CI	680	–	25
Vallourec	272.5	–	12.3
TOKYO (Yen)			
Rises			
Janome Sew	450	+	25
Mercian	930	+	48
Mitsui Soko	943	+	47
Nippon Denko	480	+	28
Showa Elec Wr	573	+	33
Yoshi	637	+	39
HONG KONG (HK$)			
Rises			
Amoy Props	9.75	+	0.35
Bank East Asia	31.1	+	1.0
Great Eagle	28.35	+	1.55
Hang Seng Bank	94.0	+	3.6
Hysan Dev	26.65	+	0.85
Wharf Hldgs	34.4	+	1.5
BANGKOK (Baht)			
Rises			
Dhana Siam	78.0	+	6.5
Finance One	68.0	+	5.0
Tisco	195.0	+	12.0
Falls			
Bangkok Rubber	37.75	–	3.75
Pakpanang	20.75	–	2.25
Thai Rayon	106.0	–	11.0

New York and Toronto prices at 12.30pm.

Siemens warns of stagnant earnings

Shares fall 9% as weak economy prompts gloomy forecast

By Wolfgang Münchau in Frankfurt

Siemens, the German electronics group, is not expecting earnings to grow in the current financial year because of the weak domestic economy and falling profits in semiconductors.

The company yesterday reported a 20 per cent increase in net profits to DM2.49bn ($1.64bn) from DM2.08bn for the financial year to end-September, broadly in line with expectations.

But the forecast for the 1996-97 business year suggests the company may miss its target of a 15 per cent return on capital employed before the year 2000, compared to just over 10 per cent in 1995-96.

Siemens also said yesterday it expected to take restructuring measures at the medical engineering business.

The market in Frankfurt reacted strongly to the news as analysts began reassessing their mid-term forecasts. In mid-afternoon trading, Siemens' shares had fallen by DM5.07, or 6.8 per cent, to DM74.90. At the close they had fallen by DM7.17, or 9 per cent, to DM72.80.

Mr Bernd Laux, analyst at Schröder Münchmeyer Hengst, the German bank, said: "Siemens blames the components unit, but I believe this argument is somewhat overstretched. There is something else behind this. In my view, the company has reacted too slowly to growing international competition. The [restructuring] programme has not been drastic enough."

In the last financial year, new orders were up 10 per cent to DM100.8bn, the first time the company topped DM100bn. However, none of the increase came from Germany. Foreign orders were up 17 per cent, mostly in the Asia-Pacific region, where they rose by 34 per cent to DM11.2bn. The difference was more pronounced in the turnover figures, which showed domestic business down by 4 per cent and foreign business up by 14 per cent.

The 20 per cent rise in net profits was due to a strong recovery in the energy division – with pre-tax profits up from DM64m to DM452m, the two telecommunications divisions – whose combined pre-tax profits rose from DM685m to DM857m, and the automation unit group – where pre-tax earnings went up from DM415m to DM509m.

The semiconductor unit recorded a 24 per cent fall in pre-tax profits from DM793m to DM608m, the result of falling prices for memory chips.

Siemens Nixdorf Informationssysteme (SNI), the computer unit, again turned in a small profit, of DM52m from DM62m last time. The result reflects losses on SNI's stake in Escom, the German computer company.

Siemens announced an increase in the dividend from DM1.30 to DM1.50 per share.

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Driving up productivity, Page 22

US Dominion Resources eyes British utility

By Jane Martinson in London

Dominion Resources yesterday became the second US energy group in two weeks to target a regional UK electricity company when it announced it was considering a bid of £1.2bn ($1.9bn) for East Midlands Electricity.

The Virginia-based utility was forced to announce its takeover intentions after bid speculation pushed East Midlands' share price up 70p yesterday to 607½p on the London Stock Exchange. But Dominion said it would not make an offer above 608p.

Last week, CalEnergy, a US independent power producer, launched a £659m bid for Northern Electric, another regional electricity company.

East Midlands was taken completely unawares by the announcement. It said that until there was "something concrete there's nothing to talk about or comment on".

An adviser to the group said the proposed price was "absolutely ridiculous" and not "even in the right ballpark". A price of 608p would represent a 13 per cent premium to the company's share price at the start of yesterday.

CalEnergy is offering a 21 per cent premium to Northern's share price before bid speculation. An investment banker suggested that using the Northern Electric bid as a basis, any bid by Dominion for East Midlands could go as high as 700p a share.

However, morale is thought to be so low among utility shareholders – mainly because of the impending general election – that they could find a much lower cash offer attractive. The opposition Labour party has said it will impose a windfall tax on utilities if it wins the next election.

Advisers to Dominion, which has a market value of $6.6bn, said political and regulatory uncertainty made a bid of more than £1.2bn unlikely.

Dominion contemplated making a bid for East Midlands this summer but was unable to gain approval from the US regulators.

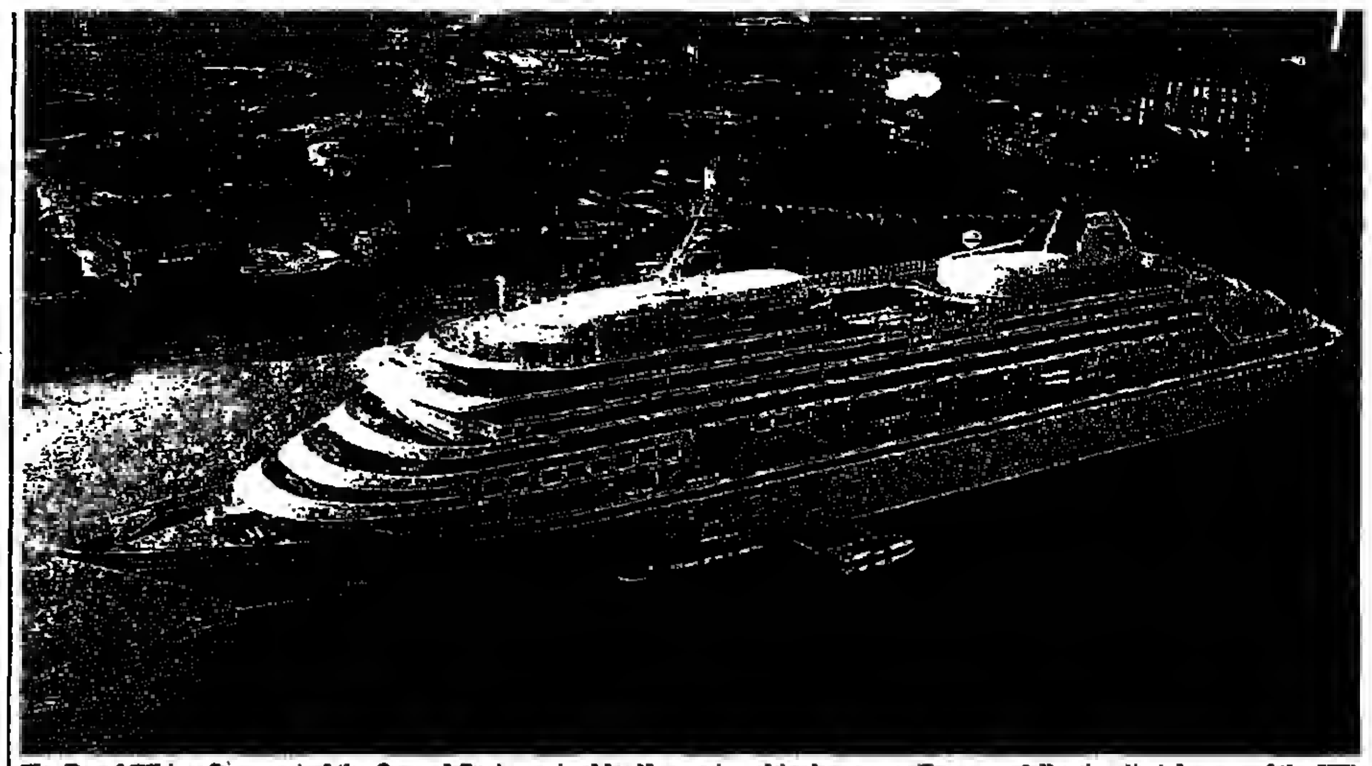
Bid speculation died after reports that the Virginia Power Commission had vetoed any takeover move on the grounds that it would affect prices in the home area.

However, it appeared last night that the commission gave the go-ahead for a bid two weeks ago after studying the impact of the proposed deal.

Dominion, which has assets of $14bn, owns state generator Virginia Power and operates in a number of other countries. It was attracted to East Midlands because of the company's cost-cutting drive since privatisation. East Midlands reported a 34 per cent rise in pre-tax profits for the year to the end of March and a higher-than-expected dividend pay-out.

Excluding Northern, East Midlands is one of four remaining independent regional UK electricity companies.

Lex, Page 16



The Royal Viking Sun, part of the Cunard fleet acquired by Norwegian shipping group Kvaerner following its takeover of the UK's Trafalgar House this year. Kvaerner's price tag of $600m for the subsidiary has been deterring potential buyers. Report, Page 24

Monarchy buys 12.5% Puma stake

By Tracy Corrigan in New York

Monarchy/Regency Enterprises, the US independent film production and distribution company, has taken a 12.5 per cent stake, valued at $70m-$80m, in Puma, the German sportswear company planning a comeback in the US market.

Mr Jochen Zeitz, chief executive officer of Puma, said: "Sports used to be blood, sweat and tears, but... it has become a new form of entertainment for consumers."

He said the companies were still looking at how to exploit their alliance but it would provide "new avenues for marketing the brand".

Monarchy/Regency's equity investors and strategic partners include Australian media magnate Mr Kerry Packer, Mr Leo Kirch's German media group Kirch Group, Warner Brothers and Samsung.

Puma, one of the world's leading sports brands with annual sales of about $800m, has a US market share of less than 1 per cent, even though the name commands 68 per cent brand awareness there. The company was taken by surprise by Nike's and Reebok's aggressive marketing in the late 1980s. "The US market developed sport as a lifestyle and the European brands didn't understand that," said Mr Zeitz.

Puma had to sell its trademark in the US when it restructured in 1993, but bought it back, following a turnaround, in mid-1995.

Mr Zeitz said the deal was part of Puma's drive to rebuild its US business. It this year established a design, production and business development facility in the US and has increased its product cycle from two to four to meet the demands of the more dynamic US market. The expansion will be funded by Puma's summer DM70m ($46m) capital increase.

Mr Arnon Milchan, chairman of Monarchy/Regency, described the investment as purely strategic: "Puma's performance reputation in the sports world and its relationships with high-profile athletes provides us with another platform from which to broaden our business base."

It bought the stake from Proventus Handels, the Swedish holding company which took a 25 per cent stake in the 1993 restructuring. It has an option on the other 12.5 per cent.

Dickson Concepts aims to list its French luxury goods arm

By John Ridding in Hong Kong

Dickson Concepts, the Hong Kong-based luxury retailer, yesterday announced plans to list its S.T. Dupont subsidiary on the Paris stock market to enhance its profile and raise funds for expansion.

Mr Dickson Poon, chairman, said S.T. Dupont, the French manufacturer and distributor of luxury goods such as lighters and pens, would have a market capitalisation of up to HK$1.8bn (US$233m). He declined to say whether the listing would involve new shares or whether Dickson Concepts would keep a majority stake.

Mr Poon said it was an appropriate time to offer the company, given S.T. Dupont's expected strong earnings growth and its strategy of broadening its product range, customer base and market share. He expected the listing to take place in December and said Merrill Lynch would co-ordinate the offer.

Dickson Concepts acquired S.T. Dupont in 1987.

The planned listing of the French group follows the public offering in April of a 49.9 per cent stake in Harvey Nichols, the UK department store.

That operation raised about £64m (US$104m) for Dickson Concepts, taking its treasure chest to more than HK$1bn.

Mr Poon's financial reserves have fuelled speculation that he will bid for Barney's, the New York-based department store that filed for bankruptcy in January amid an acrimonious dispute with the Isetan retailing group, its Japanese partner.

The Dickson chief declined to say whether he would make an offer for the US group. The Hong Kong group has recently indicated it was considering a bid, as have several US retailers, including Saks Holdings.

The S.T. Dupont offer comes amid a flurry of activity at Dickson Concepts. In addition to the listing of Harvey Nichols, the group has opened a restaurant in London and a Harvey Nichols store in Leeds, northern England. Both were ahead of budget, Mr Poon said.

He outlined plans to raise the number of the group's worldwide outlets to 300 next year.

Big demand for Telekom issue

By Michael Lindemann and Nicholas Denton in London

Investors have bid for at least DM75bn ($50bn) worth of stock in Deutsche Telekom's DM15bn privatisation issue.

This fourfold oversubscription is attributable mainly to the issue's popularity among German investors, but also to tactical ordering by large international institutional investors.

With eight days remaining until the allocation of the 500m shares in the partial privatisation issue, Deutsche Telekom and its advisers are considering how to scale back orders.

The group, which said it would sell 63-67 per cent of the issue domestically, intends to cull demand by trying to identify "quality" investors.

Investment bankers said several criteria would be used. Most important was the size of funds under management and the number of shares that the institutions might be expected to buy on the open market if they were not given shares in the first allocation.

Although investor interest internationally appears less enthusiastic, the company's presentations to investors seem to be convincing some institutions which had initially judged the proposed share price range of DM25-DM30 expensive.

One UK fund management company said: "We started off on the basis that it was very expensive, but having talked it over with the company and done some of our own work we have gone for it."

Bankers close to the issue downplayed indications of poor demand in the US, where the company has said it would sell at least 13 per cent of the issue. They said Telekom had only begun marketing heavily this week, and investors had not seen analysts' reports.

"In every issue the US investors are slow coming in because they want to hear the management roadshow," said one banker close to the issue.

However, investment bankers said that during the marketing phase of the privatisation, investors expressed their demand for shares at different price levels. Therefore, the oversubscription hinted at by Deutsche Telekom in Germany may by contingent on the offer taking place at DM25.

Citic Pacific considers HK$5bn stake in Unicom

By John Ridding in Hong Kong

Citic Pacific, the Hong Kong arm of China International Trust & Investment Corp. Beijing's flagship investment vehicle, is considering an investment of up to HK$5bn (US$647m) in Unicom, China's second telecoms operator, and is reviewing its stake in Hongkong Telecom.

Confirming local press reports, Mr Henry Fan, managing director, said Citic Pacific was still discussing the terms of an accord with Unicom, and that it was not yet clear whether e deal would be reached.

He said an investment would not necessarily have an impact on its 8 per cent shareholding in Hongkong Telecom, the dominant local operator which is a subsidiary of Cable & Wireless of the UK. Citic Pacific's strategy concerning Hongkong Telecom remained undecided.

Citic Pacific's comments follow its move in June to reduce its stake in Hongkong Telecom from 10 per cent and are likely to add to the uncertainty surrounding the local opsrator. Speculation about a hroader shareholder restructuring, including the sale of a substantial stake to a mainland partner, has been fuelled by Hong Kong's return to Chinese sovereignty in July next year.

In addition to shifting shareholdings, Hongkong Telecom also feces regulatory changes and increased competition. Last year, three new fixed-line operators launched services, while the company's monopoly on international direct-dial services, due to last until 2006, is also under review.

Intensifying competition has hit Hongkong Telscom's shares, which have declined more than 3 per cent since the beginning of October against a rising market.

Unicom has been authorised to operate telecoms networks in China, breaching the monopoly of the Ministry of Posts & Telecommunications. At present it is mainly involved in mobile telecoms, because of funding constraints and regulatory obstacles involved in setting up competing local or long-distance networks.

Until now, China has not allowed foreign participation in its telecom operating networks, but is gradually opening the sector. Citic Pacific did not say which divisions of Unicom it might invest in, but possible areas include mobile telecoms, satellite communications and fixed networks.

Citic Pacific's parent company, is one of more than a dozen shareholders in Unicom. However, Mr Fan insisted the Hong Kong company was solely responsible for any decision to invest in the telecoms operator. He said that if Citic Pacific went ahead, its low gearing and strong balance sheet would rule out the need to issue shares or spin off assets.

Sino Hotels buys 50% of Conrad

By Louise Lucas in Hong Kong

Sino Hotels, which was spun off last year from Sino Land, one of Hong Kong's biggest property developers, is to pay HK$1.1bn (US$142m) for a 50 per cent stake in the five-star Conrad Hotel.

The acquisition, which is subject to approval from the other shareholders in Greenroll, the vehicle that owns the Conrad, and its bankers, comes as Hong Kong's hotel sector is rallying. Occupancy rates for the year to August for top hotels were 84 per cent and analysts believe the 513-room Conrad could see occupancy rise to 94 per cent next year.

The sellers of the stake are related to Pacific Electric Wire and Cable Company of Taiwan. The headline price works ont at HK$4.3m e room – considered a good deal for Sino Hotels – but any liabilities could alter the equation.

Mr Philip Chan, an analyst with Yamaichi International in Hong Kong, said the fect bankers' consent was required for the deal to proceed suggests the level of dehts could be significant. "If Sino Hotels finances the deal by bank loans, the debt level will increase to nearly HK$1.3bn in 1997," he said.

This would lift the company's gearing from 10 per cent to aroumd 47 per cent, according to Mr Chan.

Black may quit Fairfax if stake remains capped

By Nikki Tait

Mr Conrad Black, the Canadian media proprietor who owns a 25 per cent interest in Australia's John Fairfax, yesterday made clear he would still like to increase his holding in the newspaper group, but said he would consider selling his stake if the current review of media ownership rules limited him to this level.

"If we become satisfied thet there's no chance of going beyond 25 [per cent], then we would go as soon as we could get what we considered to be e reasonable exit," he said after Fairfax's annual meeting yesterday.

Mr Black's interest is capped by foreign ownership rulss on medie assets. Mr Kerry Packer owns e further 14.9 per cent of Fairfax through the quoted Publishing and Broadcasting group, but he too cannot go higher because of cross-media ownership restrictions.

Mr Black repeated his complaint thet the situation was not in Fairfax's best interests.

"Packer's presence prevents it from being a foreign-controlled company and our presence prevents it from heing a Packer-controlled company. . .This is not really a long-term viable arrangement for e company like this, where the ownership is constantly in a state of tension."

However, the Canadian husinessman continued to hoid out the possibility of issuing e form of security whicb would effectively monetarise his stake in Fairfax. This possibility first surfaced in an official filing by his Hollinger group in July.

Meanwhile, shareholders were told yesterday that Fairfax's prospects had been affected by the recent slowdown in the economy.

"Coupled with the state of the economy, Fairfax, in common with the whole newspaper industry, has had to face high newsprint prices and this, too, will impact on our final results in the current year," said Sir Laurence Street, chairman.

Fairfax shares closed two cents higher et A$2.69.

Conrad Black (left) at the annual meeting of Fairfax, of which he holds 25 per cent, with deputy chairman Daniel Colson Reuters

Indian hotel group ahead

By Kunal Bose in Calcutta

EIH, India's second largest hotel and airport catering group, reported a 17.79 per cent rise in gross earnings to Rs640.8m ($18.05m) for the six months to September.

The owner of the Oberoi luxury hotel chain lifted sales by 18.3 per cent to Rs1.95bn and net profit by 18.87 per cent to Rs474.3m.

Analysts believe there will be e significant improvement in EIH's sales and profit in the second half, which coincides with the busy tourism season.

The company will be issuing bonus shares in the ratio of one new share for every two held next month.

It said it would raise up to $100m from the international markets at an appropriete time to belp fund new hotel projects in India and abroad.

● Himetsingke Seide, India's largest exporter of eilk fabrics, reported e 28 per cent rise in gross earnings to Rs162m ($4.56m) for the six months to September.

Helped by strong growth in demand for its products in Europe, sales climbed 38.55 per cent to Rs290m. After a higher provision of Rs23.1m for depreciation and Rs17.9m for tax, net profit was up 20 per cent to Rs120.5m.

The directors recommended an interim dividend of Rs2 e share.

Samsung Motors may bring car launch forward

By Haig Simonian, Motor Industry Correspondent

Samsung Motors, the subsidiary of the south Korean industrial and electronics conglomerate, will probably bring forward to January 1998 – two months ahead of scbedule – its plan to start selling cars

This follows the completion of building work this week on its integrated car plant in Pusan, three months ahead of schedule.

The end of construction coincides with signs that Samsung has accelerated its carmaking timetable. The company recently opened e Frankfurt office as a listening post for European markets. In September, it opened a US design studio in California, on which it will eventually spend $20m, to develop vehicles for international sale.

Although Samsung Motors is not planning to sell cars in Europe until 2002 at the earliest, it is already believed to have contacted distributors in leading markets.

The completion of building work means Samaung Motors is on track to start volume production by early 1998. The company, which has invested $2.5bn in its new plant, plans to build 80,000 vehicles in the first year, rising to 240,000 a year by the end of its first investment phase. Output is scheduled to reach 500,000 units a year by the end of a second, unspecified, stage.

Prototype vehicles from the new plant, being built with technical help from Nissan Motor of Japan, are due to start rolling out within the next four months in the gredual build-up to mass production.

Samsung says it will spend almost $6bn by 2002 to further its ambitions to become one of the world's leading carmakers by early next century.

The company, which is one of Korea's largest conglomerates, expects to build up to eight different models et its Pusan plant ranging from a compact hatchback to a luxury saloon. Production is forecast to reach 1.5m units a year by 2010.

Mr Kun-Hee Lee, Samsung group chairman, recognised that ths company's success would largely depend on its relations with local components suppliers. Other Korean carmakers have been let down in the past by e reputation for poor quality, often because of inferior components.

TNT reports profits up by 14.7%

By Nikki Tait in Sydney

TNT, the Anstralian transportation company snbject to a A$2bn (US$1.6bn) recommended bid from the Dntch KPN post and telecoms gronp, yesterday announced a 14.7 per cent increase in pre-tax profits from its core operations in the three months to end-September.

TNT said it made A$27m, before abnormals, up from A$23.5m a year ago. However, after tax, this figure fell to A$7.79m, compared with A$12m previously.

On an equity-consolidated basis, pre-tax profits were up from A$14.6m to A$20.8m, hut the after-tax figure was sliced to A$357,000 from A$640,000.

Sales were A$1.33hn, against A$1.8m. In the latest equity-consolideted figures there was no contribntion from TNT's 50 per cent stake in Ansett, the Australian airline, which has now been sold to Air New Zealand.

Yesterday, Mr David Mortimer, managing director, said tha gronp expected a better first half than last year."A hig factor in the TNT result last year was Ansett . . . so the decoupling of those eqnity-accounted losses and replacing them with other income has a significant positive effect," he said after TNT's annual meeting.

Ansett's accounts, pnblished earlier this week, showed the airline making an operating loss, before tax and interest, of A$18.6m in 1995/6.

KPN owns ebont 20 per cent of TNT. One big institutional investor has said the hid terms are "et the lower end of valuations we have on the company".Mr Fred Millar, TNT chairman, told shareholders: "To date, no other offer has been made and it therefore eppears likely thet the KPN offsr may be successfnl."

Repackaged Hoechst will let market decide

The world's largest chemicals company wants each business to be separately valued by investors

There is a resentful aside doing the rounds at Hoechst, the world's largest chemicals company. When the US operation was named Hoechst Celanese, after the takeover of American chemicals operation Celanese, the whole group might more aptly have been titled Celanese Hoechst, say staff.

"What it began, was our conversion to an American company," said one. "Nowadays, we hold our meetings in English [and] half our board members are English speakers."

And yesterday, a German group that was until recently viewed as a sluggish old-timer announced a radical overhaul of its operation. The new, slimline management board will not be involved in operations, but will instead home in on growth areas, or operations not meeting the group's performance criteria, to aid their development.

The holding company structure has allowed Hoechst a virtually tax-free demerger across its wide portfolio of activities.

The only exception is the pharmaceuticals business, HMR, where "an acceptable level of duties" – but no capital gains tax – will be incurred on the transfer of its US drugs operation into a new German company.

In strategic terms, Hoechst has classified its new companies into four categories. The life science businesses, including HMR and AgrEvo, its joint venture crop protection business, will be the growth businesses.

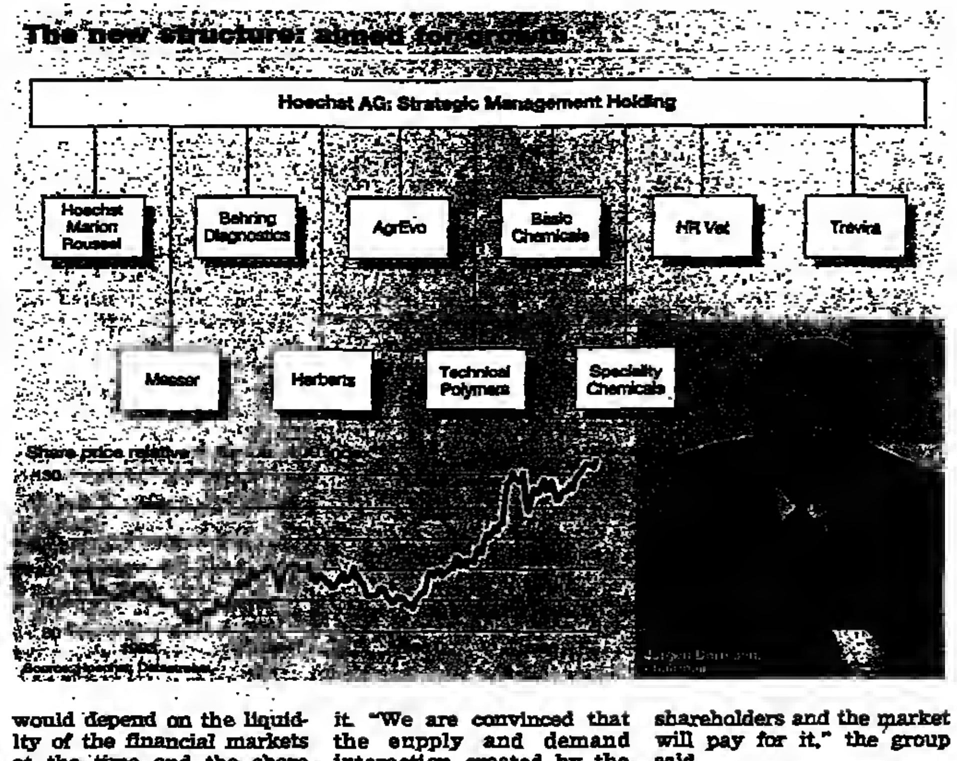
Cash will be generated for the group by the next category of businesses, which will include chemicals.

The group has defined some of its other companies as stand-alone entities. These will be self-sufficient, receiving "limited group resource allocation and limited group management attention", according to Mr Jurgen Dormann, chairman. This category is likely to include the group's new polyester business, Hoechst Trevira.

The final category is those businesses in need of "long-term renewal".

However, the group emphasised that the allocation of financial resources from one of the group's companies to another would not amount to cross-subsidy. Nor did it indicate a lack of ring-fencing.

Each company would produce full accounts, including a balance sheet and cash-flow statement, according to American accounting standards. Their performance would be transparent, as would be any transfer of funds, the group said.



Hoechst's aim is to get each business valued by investors in its own right. Some of the businesses would be floated as IPOs, the group said. However, it has not yet drawn up a time-table specifying which businesses, and when.

It emphasised it had no plans to issue more than a minority stake in its core life science businesses, but it left open the possibility that some of its other businesses would eventually be 100 per cent public owned.

For HMR, the precise size of the proposed share issue would depend on the liquidity of the financial markets at the time and the share price, said Mr Klaus-Jurgen Schneider, finance director.

The group has not yet decided what to do about the outstanding minority stake in Roussel Uclaf, the French drugs business that is being subsumed into HMR. However, Mr Dormann said the group was holding talks with the French government and was "very, very happy" with their progress.

Hoechst also announced plans to list on the New York Stock Exchange next year.

However, this would not involve new capital: the group's aim was to penetrate the market, not to draw on it. "We are convinced that the supply and demand interaction created by the listing will increase the value of Hoechst," Mr Dormann said.

The group also plans to link employees' rewards and incentives directly to the value of the company. German law remains restrictive on stock option incentive schemes but the group was looking at a similar scheme to that adopted by its former subsidiary, SGL Carbon, floated in New York last year.

This would involve a fund that invested in share options, which would then be distributed to staff according to performance. "The idea is that the staff will work to create value for shareholders and the market will pay for it," the group said.

At the country level, the group operations will become service companies. The free-standing operational companies, such as HMR and Trevira, will be able to buy services from these companies, or out-source.

Two exceptions will be South Africa and China, where plans for strategic expansion mean the Hoechst businesses will be a single package, answerable directly to the holding company.

The group's plastic business will not be established as a separate company, since it will have moved entirely into joint ventures by the time of the break-up.

Hoechst has a long-standing joint venture in PVC and recently announced a polypropylene alliance with BASF. Yesterday, it confirmed it was in talks with BP, which were expected to result in a joint venture for its polyethylene business by early next year.

Beyond this alliance, the group gave few hints on further tie-ups. However, it did say that one of the board's main functions under the new structure would be portfolio management. This would lead to constant consideration and re-consideration of acquisitions, disposals, mergers and joint ventures.

The group also reaffirmed its aim of becoming the world's largest pharmaceuticals company, although this might not mean a single large acquisition and would certainly involve further biotechnology alliances.

Overall, the new structure would allow "more entrepreneurial freedom and more financial leeway", said Mr Dormann. It would also add value. "The competitiveness of the individual businesses will be proven in the market place and not be obscured by the conglomeration in the group, as has previously been the case," he said.

Mr Schneider was clear: "We know that the concept of shareholder value is not undisputed in Germany and consider the debate inappropriate. For us, there can't be any doubt that creating and adding value are the ultimate aims of all business enterprises."

Jenny Luesby

Swedbank and Christiania forge ahead

By Hugh Carnegy in Stockholm

A trend of strong performance by Scandinavian banks was reinforced yesterday by results from Sweden's Swedbank and Christiania Bank in Norway, which showed solid underlying profits growth in the first nine months of the year.

Swedbank, one of the region's biggest banks by asset value, said operating income jumped 23 per cent in the period from SKr3.1bn to SKr3.8bn ($573m).

Earnings per share rose from SKr9.71 to SKr10.06.

The result was ahead of analysts' expectations and followed similar profit improvements by Skandinaviska Enskilda Banken and Svenska Handelsbanken. Swedbank – known as Sparbanken domestically – saw its shares rise SKr2 to close at SKr106.

In common with SE-Banken, the main factor in Swedbank's earnings rise was a big fall in loan loss provisions, which tumbled 28 per cent from SKr1.8bn to SKr1.3bn.

Swedish banks have now shaken off all but the remnants of the credit crisis of the early 1990s which crippled the banking systems in Sweden, Norway and Finland.

Instead, they are benefiting this year from much lower interest rates.

But Swedbank was also helped by significant improvements in its core business. Net interest income was unchanged, but there was a 35 per cent increase in net commission income from SKr1.4bn to SKr1.9bn and net income from financial operations advanced 18 per cent to SKr689m.

Operating profits before loan losses increased 4 per cent from SKr4.9bn to SKr5.1bn.

At Christiania, Norway's second-largest banking group, operating profits in the first nine months fell back sharply, from NKr2.3bn to NKr1.56bn ($241m).

But this was due to an expected fall in the exceptionally high levels of write-backs on previous loan loss provisions made during the same period a year ago. Write-backs in the first nine months this year were NKr131m, compared with NKr1bn last time.

Operating profits before write-backs meanwhile rose from NKr1.26bn to NKr1.4bn due to increases in net interest and commission income as the bank rode a buoyant phase in Norway's oil-boosted economy.

Christiania – which to domestic customers is known as Kreditkassen – is, like its main rival Den norske Bank, in dispute with the tax authorities over the size of the tax losses it can carry forward from Norway's loan loss crisis of the early 1990s.

However, it reported a tax charge of just NKr16m in the first nine months, leaving net profits at NKr1.55bn.

Coatings help Akzo edge ahead

By Gordon Cramb in Amsterdam

Akzo Nobel, the Dutch chemicals company, edged up net profits by 1.2 per cent in the third quarter to Fl 328m ($194m) as a strong performance by its coatings and pharmaceutical divisions was partially offset by declines in PVC and fibres.

It was the first time this year the company had managed to increase both sales, by 5.15 per cent to Fl 5.49bn, and operating income, by 3.2 per cent to Fl 510m. It forecast full-year net earnings would be "of the same order of magnitude" as the Fl 1.31bn achieved in 1995.

For the nine months to September 30, profits after tax were Fl 1.05bn, compared with Fl 1.07bn a year earlier which included a Fl 40m extraordinary gain. On a per share basis, earnings were Fl 14.45, against Fl 15.10 pre-exceptional last time. The interim dividend is unchanged at Fl 1.50.

Mr Syb Bergsma, finance director, said yesterday that about three-fifths of the sales improvement was due to positive foreign exchange movements. Higher volumes were registered in chemicals as well as in coatings, which benefited from efficiency improvements to become the leading earnings contributor for the quarter.

Operating income from coatings, up 37.7 per cent, reached Fl 201m. The pharmaceuticals side, the biggest earner this year, managed only a 1 per cent rise in the past three months to Fl 190m. It was held back by a drop in demand for Akzo's birth control pill amid concern, to an extent since allayed, over blood clot dangers.

Mr Bergsma said the company retained "very good expectations" of two recent drug launches – Puregon, a fertility hormone, and Remeron, a new class of anti-depressant. Their introduction costs had held back the results, however.

Income from chemicals fell 14.5 per cent to Fl 124m, weighed down by European overcapacity and low product prices. On prospects for further consolidation – Bayer of Germany this week made clear it was looking for a large acquisition – Mr Bergsma identified the PVC market as "certainly one where there are too many players, and price levels are at rock bottom".

PVC is among the few bulk businesses in an Akzo chemicals line-up focused on speciality products. It is selling a salt operation to Cargill of the US. Investment is going instead into pharmaceuticals and coatings – last month it bought a Polish paint factory.

Textile finishing operations are also being relocated to Poland from the Netherlands and Germany. The fibres division brought in only Fl 2m in third-quarter operating income, down from Fl 28m.

Modest 5% sales rise registered at MAN

By Sarah Althaus in Munich

MAN, the German truck, printing and plant construction company, yesterday registered a modest improvement in first-quarter results for its 1996-97 financial year, with new orders rising 2 per cent and sales climbing 5 per cent from a year earlier.

Mr Klaus Götte, who retires as chairman next month, was cautiously optimistic about full-year earnings, noting that cost-cutting and improving economic conditions should "enable us to continue the upward trend at the MAN group and achieve a good profit again this year". He declined to provide details of first-quarter profits.

Like many German companies, MAN is suffering from weak domestic demand, with orders falling 6 per cent in the quarter from July to September. Outside Germany, however, orders climbed 6 per cent.

At the same stage last year, overall orders were up 14 per cent, while for the full year orders rose only 1 per cent. However, Mr Götte said foreign demand had begun to recover in the last three months of 1995-96 and that the German investment goods sector was showing signs of a slight upturn.

"The trend is positive," Mr Götte said. He added that order inflow had improved at MAN Nutzfahrzeuge, the commercial vehicles unit and MAN's core business, and that its Ferrostaal, MAN Gutehoffnungshütte and SMS units had booked large orders in the first months of the current year.

Group order backlog climbed from DM18.5bn ($12.2bn) to DM19.2bn in the first quarter. The company also gave details of its results for 1995-96 – headline figures were released in August – during which net profits rose 21 per cent to DM330m. The dividend was raised from DM9.5 to DM12.

MAN Nutzfahrzeuge continued to fuel overall earnings growth, lifting pre-tax profits 25 per cent to DM261m. MAN Roland narrowed its pre-tax loss from DM148m to DM81m and aimed to break even this year.

MAN Gutehoffnungshütte, the Ruhr machine and plant construction company, slipped into a DM22m loss from a DM25m pre-tax profit last time because of considerable cost overruns on two plant contracts. Profits were virtually unchanged at MAN B&W Diesel, the engine manufacturer.

Israel awards two telecoms licences

By Avi Machlis in Jerusalem

Israel yesterday awarded licences to provide international telecommunications services to two groups, a move which will break the monopoly in the sector held by Bezeq, the state-owned telecoms company.

Golden Lines and Barak, the two winning consortia, will each invest $100m in Israel in the next 10 years.

Golden Lines includes Stet, the Italian state telecommunications group, and SBC Communications of the US. Barak includes Sprint of the US, Deutsche Telekom, the German telecommunications group, and France Télécom, the French state telecoms group. Israeli companies are also involved.

The entry of international competition into the Israeli market is expected to cut the price of overseas calls by about 60 per cent. International telecommunication services accounted for 33 per cent of Bezeq's Shk7.2bn ($2.22bn) revenues in 1995.

Ms Limor Livnat, Israel's communications minister, confirmed the government was negotiating with Cable and Wireless, the UK telecoms group, which is seeking to increase its 10 per cent stake in Bezeq.

● Tadiran Telecommunications, Israel's leading manufacturer of advanced telecommunications equipment, yesterday reported a 74 per cent rise in net income on a 26.3 per cent rise in revenues for the nine months *ending* September 30, with exports fuelling growth, writes Judy Dempsey in Jerusalem.

Earnings per share rose 49 per cent, from $1.08 to $1.61 year-on-year. Revenues rose from $290m to $366.4m while net income increased from $21.6m to $37.6m over the same period last year. Exports represented 41 per cent of revenues for the third quarter and 33 per cent for the first nine months.

German banks examine merger plans

By Lucy Smy in Berlin

Bankgesellschaft Berlin, Germany's sixth-largest banking group, yesterday confirmed it was examining plans to merge with Norddeutsche Landesbank.

The move would make it the country's second or third largest bank by assets, but the group said that no final decision would be taken for six months.

The bank announced a 35.3 per cent fall in operating profits for the third quarter amid continuing high provisions for bad loans. It said the political will to merge the two banks – one public sector and one commercial – existed hut thet the practicalities and benefits of the merger would decide the issue.

The news of a possible merger, however, did not overshadow results that were below analysts' expectations. Operating profit for the first three-quarters of the year was DM465m ($306.6m), down from a restated DM668m in the same period last year.

The fall in the Berlin property market and the number of company failures has been largely blamed for the high provisions, which the group warned would probably remain high in the fourth quarter. However, operating profits before risk provisions also fell by 14.6 per cent during the period.

The group's administrative expenditure grew 12.2 per cent over the nine months. This followed the 41.6 per cent rise recorded in 1995 as Bankgesellschaft Berlin harmonised its systems following its 1992 merger with two other banks.

While the group said it expected this expenditure to slow in the next three months, Mr Wolfgang Rupf, chairman-elect, outlined plans for continued expansion in Europe.

The group wants to create a network of investment banking and branches in financial centres worldwide. At the same time Mr Rupf said one of his priorities would be to improve the quality of the group's risk.

Mr Hubertus Moser, group chairman, refused to comment on the the year-end dividend, saying only that it would not be larger than last year. Speculation that the dividend would be cut has put pressure on share prices for the past month. Yesterday, however, the shares rose 3 per cent as analysts suggested that a sharp dividend cut was now less likely.

The merger would involve political egreement from four German states, Berlin, Lower Saxony, Saxony-Anhalt and Mecklenburg-Westpomarania, which are leading shareholders in the two groups. However, analysts say that practical considerations could prove difficult to overcome.

Metsä to spin off chemicals division

By Greg McIvor in Stockholm

Metsä-Serla, the Finnish pulp and paper group, is selling its highly profitable chemicals division to Industri Kapital, a Swedish and UK-based venture capital company, for FM1.05bn ($230m).

The deal follows a trend among Scandinavia's large forestry groups to focus on core operations, part of a restructuring in the sector in recent years. Metsä-Serla's shares rose FM0.80 to FM30.80, while the forestry index fell 0.4 per cent yesterday on the Helsinki bourse.

Metsa said it expected the chemicals operations, which serve industries ranging from pulp and food to oil and pharmaceuticals, to post operating profits of FM160m this year on sales of about FM700m.

Mr Jorma Vaajoki, chief executive, said the division had traditionally been more profitable than Metsä's core printing papers and packaging businesses. However, prospects for improving its world market share of 25 per cent were limited under Metsä's leadership.

Mr Vaajoki said the division's development would be better realised through a link with another industrial group which could exploit synergies.

Industri Kapital, which in 1994 bought the cranes business owned by Kone, the Finnish lift manufacturer, said the unit would either be listed or sold to an industrial buyer, probably within 3-5 years.

Mr Vaajoki said the sale would strengthen Metsä'e balance sheet, lifting its equity-to-assets ratio above 40 per cent. He said the group had no immediate plans for acquisitions, although it was eyeing the European market for opportunities to strengthen sales penetration.

Metsa warned last month that weak prices would result in a full-year loss, against a FM1.9bn profit in 1995.

Merita begins to benefit from merger

The Finnish bank hopes negative publicity does not sour investor confidence

When Mr Vesa Vainio took on the post of chief executive at Merita, the dominant Finnish bank created last year by the merger of the country's two largest banking institutions, he faced a stiff challenge.

Merita's two founder banks, Kansallis-Osake-Pankki (KOP) and Unitas, had not posted an annual profit for five years and were burdened by serious balance sheet problems. Mr Vainio's objective of cutting 30 per cent of the bank's 18,000 staff and 775 branches – the most brutal assault on costs in Finnish corporate history – provoked vehement opposition from trade unions.

Eighteen months on, the painful process of rationalisation is nearing completion. Merita's cost to income ratio has fallen from 71 per cent to 63 per cent, the bank is in profit, and shareholders are contemplating their first dividend since 1991. The bank's nine-month report today is expected to show a healthy growth in earnings.

Merita's shares, moreover, have begun to rectify a disappointing performance since their launch in January. The stock has surged over 40 per cent in the past month to FM13.70 on strong interest from foreign investors.

The improvement suggests that worries among investors over the size of the bank's bloated property portfolio – the legacy of the banking crisis at the start of the decade – have eased.

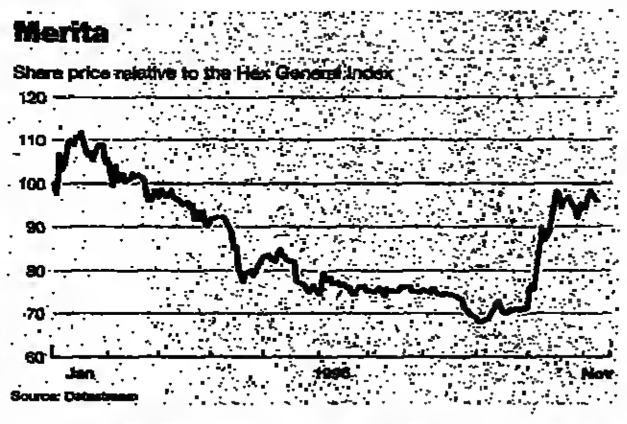
Mr Bengt Dahlström, banking analyst at Arctos Securities in Helsinki, predicts the shares will rise further as Merita reaps the benefit of improved fundamentals, higher demand for credit and an expected improvement in net interest margins due to a reduction of deposit rates by Finnish banks.

But market conditions remain tough. Merita's share of markka deposits has dropped from 42.8 per cent to 41.6 per cent in the past year, although its slice of the lending market has risen 0.3 per cent to 43.9 per cent.

However, its market share is likely to fall as competition intensifies from foreign banks such as Svenska Handelsbanken and Skandinaviska Enskilda Banken, Sweden's two largest banks.

The bank sees its prime growth opportunities in financial services outside core banking activities. These include life assurance, where Merita's premium income of FM1.1bn ($241m) in the first six months of the year eclipsed its 1995 full-year figure of FM620m. "We have a tremendous customer base where we can cross sell. That is where we are going to make much of our future income," says Ms Valerie Vainonen, a Merita vice-president.

However, others believe earnings growth could come from other sources. There has been persistent speculation in Helsinki that Merita is exploring an operational link with Pohjola, Finland'e largest insurer, in which it has a 27.4 per cent voting stake. Merita has rejected the speculetion as rumour, while Pohjola declined to comment.



Source: Datastream

Perhaps the biggest question mark is the bank'e bulging real estate book, equal to almost 10 per cent of its FM270bn total assets.

Mr Paul Vanner, banking analyst et Parihas Capital Markets in London, says the properties, on notional yields of 5 per cent, are overvalued. Yields of 8 or 9 per cent would be more realistic. "If the portfolio was marked to market value, the bank would be insolvent," he says.

Merita insists the properties are valued appropriately, yet it acknowledges their drain on core banking operations and is examining ways to spin them off. One possibility is a spin-off to ehareholders, although this would require a change in Finnish law.

Another is placing them in a mutual fund with other banks. However, the capital requirements of either move could take it several years to happen.

Before that, Msrita faces the uncomfortable spectacle of criminal proceedings starting next week against three of its directors, including Mr Pertti Voutilainen, Merita president and then KOP chief exective. The trio are among eight former KOP directors indicted on securities market charges relating to a FM2bn share issue in 1994.

Mr Voutilainen is one of eeveral defendants who could face up to a year in prison if convicted on charges of misleading shareholders over the issue. The others are charged with lesser offences punishable by fines.

The share issue, launched less than three months before the Merita deal and widely seen as crucial to KOP'e eurvival, was informally guaranteed by KOP's two largest shareholders, Repola and Pohjola. Prosecutors allege KOP inflated the merits of the issue by stating the two would absorb at least FM1bn of the offer; in the event they took FM400m.

Shortly after the issue KOP warned of deepening losses. Its shares fell from FM10.60 to FM4.46, way below the FM6.40 issue price. The stock never recovered above FM6 before the Merita merger was unveiled.

In addition, Merita is the subject of civil suits from 59 emall shareholders for alleged losses of FM9.1m stemming from the issue. They claim merger negotiations were in progress when the share issue was launched, an accusation Merita refutes. Should Merita lose, it could face a flood of claims from other private investors.

The bank will be fervently hoping to evoid such an outcome. Equally, it will be hoping any negative publicity does not sour investor confidence just as it starts to reap full benefit from last year's merger.

Greg McIvor

INTERNATIONAL NEWS DIGEST

ABN Amro set to take Magyar stake

ABN Amro Bank of the Netherlands looks set to take a majority stake in Magyar Hitel (Credit) Bank, one of Hungary's largest retail banks with assets of about $1.6bn. ABN Amro refused to confirm the move, saying only "We have heard no such thing".

The official result is expected tomorrow after a government meeting this afternoon. The only other bidder for the near 90 per cent stake is Austria's Creditanstalt, which like ABN Amro, is aiming to be a strong player in the region.

Creditanstalt offered its own branch network as an in-kind contribution, but the Dutch offer is understood to be providing much needed cash – close to 130 per cent nominal value.

BZW, which acted as adviser for the sale under a Phare contract, refused to comment "on grounds of confidentiality". "In this tender, everything has gone by the book," said Mr Charles Kovacs, Budapest director.

Kester Eddy, Budapest

American Express in Spain deal

American Express has reached a second agreement with a Spanish bank for issuing its charge cards and said it aimed to extend the arrangement to other institutions in Spain. Its deal announced yesterday with the country's leading savings bank, the Barcelona-based La Caixa, follows a joint venture for card services agreed with Banco Santander three years ago.

Mr Jürgen Aumüller, president for Europe of the US travel and financial services group, said the move reflected "a change in strategy" on card distribution which had already led to alliances in Portugal, Ireland, Turkey, Greece and Italy. The group was focusing on selected partners in Europe. There would be "more to come" in Spain, he added.

David White, Madrid

Bad debts hit S African bank

First National Bank of South Africa yesterday announced a sharp drop in second-half profits as bad debts increased by 69 per cent. Net income rose 15.6 per cent to R1bn ($213m), against R874m last year. But earnings per share were only 8.4 per cents higher at 228 cents after increasing 17.5 per cent in the first half. Operating income rose 18.1 per cent to R2.5bn.

Analysts said the results were well below expectations. The shares fell 15 cents to close at R24.95. Mr Peter Thompson, head of retail banking, blamed poor management of instalment credit and private label cards for the higher bad debt charge, which rose from R393.5m in 1995 to R665.2m for the year to September 30. The dividend was 15.2 per cent higher at 76 cents.

Mr Alan McConnochie, banking analyst at BoE NatWest markets, said the increased dividend "suggests the underlying picture was not so bleak".

Mark Ashurst, Johannesburg

Ukraine awards sale mandates

Ukraine's State Property Fund has awarded four companies the mandate to advise on the privatisation of the Poltava Gas Lamp Factory – marking the launch of the second phase of privatisation in Ukraine. The Poltava factory, which produces street lights and luminescent lamps, is the first of 208 companies the government has committed itself to sell for cash to be put forward.

The advisers are Ernst & Young, the accountancy firm; Epic, a Vienna investment boutique; Kinto Investments & Securities, a Kiev bank; and Squire, Sanders and Dempsey, the US law firm. Philips of the Netherlands and General Electric of the US had expressed interest in Poltava.

Matthew Kaminski, Kiev

Austrian exchanges to merge

The Vienna stock exchange is to merge with the Austrian Futures and Options Exchange (OTOB) and is taking steps to dilute the powerful influence of Austria'e big banks on its affairs.

Mr Viktor Klima, Austria's minister of finance, and Mr Gerhard Randa, the president of the stock exchange and chief executive of Bank Austria, have agreed a package of reforms designed to boost the attractiveness of the stock exchange and increase its efficiency. The Vienna stock exchange will also turn itself into a shareholder company and bring in outside shareholders not linked to the banks.

Just over 100 domestic companies are listed on the Vienna stock exchange which has a market capitalisation of about $33bn. However, turnover is running at little more than $100m a day and there have been no new issues this year.

William Hall, Zurich

Tabaqueira sell-off delayed

Portugal's socialist government has delayed a decision on the privatisation of Tabaqueira, the state-owned tobacco company, and ordered a report on how on the sale would affect competition. Mr Augusto Mateus, the economy minister, has commissioned a study from Portugal's competition council, an independent watchdog, that is expected to lead to conditions designed to safeguard fair competition. Philip Morris of the US, Seita of France, and Tabacalera of Spain are competing for a 65 per cent stake in the group, which accounts for 75 per cent of tobacco sales in Portugal. The government move could delay e final decision on the sale, originally expected last week, by up to six weeks.

Peter Wise, Lisbon

AOM board resignations

Representatives of Consortium de Réalisation, the vehicle charged with selling assets of Crédit Lyonnais, the troubled French state-controlled bank, have resigned from the board of AOM, the French domestic airline. The development, emerging just a day after British Airways won its battle to take over Air Liberté, the independent French carrier, will increase ettention on the company, which has about 12 per cent of the domestic French market. CDR has been expected to sell the airline before further liberalisation of air travel in the spring and Air France has hinted it might make a bid.

David Owen, Paris

Cap Gemini stake sold

Compagnie Générale d'Industrie et de Participations, the French industrial holding company, yesterday announced the sale of 2.4m shares in Cap Gemini, the software group, just e day after becoming the largest shareholder in Valeo, the French car parts manufacturer. The sale of just under 4 per cent of group's share capital was at FFr234 e share, raising FFr561.6m ($109.6m).

David Owen, Paris

■ **Beiersdorf**, the German cosmetics group, said sales climbed 8.2 per cent to DM4.409bn ($2.9bn) in the nine months to September from DM4.077bn a year earlier.

AFX News, Hamburg

■ **Securitas**, Europe's leading security group, posted pre-tax nine months profits up from SKr334m to SKr389m ($58.7m), on sales of SKr6.6bn. Net profits rose from SKr228m to SKr274m, and earnings per share from SKr3.34 to Skr3.87.

■ **Saint Louis**, the French conglomerate, said sales rose 3.8 per cent from FFr25.7bn to FFr26.68bn ($5.2bn) in the nine months to September.

AFX News, Paris

■ **Michelin**, the French tyre maker, said sales rose 7.6 per cent from FFr48.6bn to FFr52.3bn ($10.2bn) in the nine months to September.

AFX News, Paris

Dreyfus in rare public outing

By David Owen in Paris

A small corner of the veil of secrecy that has traditionally enveloped the affairs of the family-controlled Louis Dreyfus group, one of the world'e largest grain traders, was lifted in Paris yesterday.

The *dévoilement* took place in a discreet first-floor suite at the luxurious Crillon hotel in the heart of Paris. The occasion was a press conference to serve notice of the introduction this month on the Paris Bourse of Louis Dreyfus Citrus, the group's orange juice company.

For the powerful multinational – with operations spanning the world and annual turnover of abont $20bn – that the Louis Dreyfus group has become over the 150 years since the present generation'e great-great-grandfather noticed that grain prices were higher in Basle than Mulhouse and decided to arhitrage them, the orange juice operations are not, in truth, all that significant.

Sales in the year to June 30 totalled less than FFr2bn ($390m); net profits weighed in at just FFr189m.

But this is enough to make LDC the world's third-largest orange juice manufacturer.

Moreover, nsither the two big Brazilian producers – Cutrale and Citrosuco – or Cargill, the vast US trading house, have stock market quotations. This means LDC will be, as Mr Pierre Deram, finance director, was quick to point out, "the only quoted company of significant size in the orange juice sector". Tropicana, which the group says is the fifth-largest producer, is controlled by the diversified Seagram drinks group.

Just over 3m shares, representing a bit less than one-third of LDC'e capital, will be inclnded in the offer, which is expected to raise between FFr511m and FFr620m.

Switzerland'e UBS is acting as global co-ordinator of the offer. Shares are expected to start trading later this month on Paris's Second Marché. Mr Deram said the choice of Paris was made "for historical reasons. We are part of a French group."

Yesterdey's event was a rare treat: it seems unlikely the group – whose far-flung activities also include cotton, coffee, sugar, Brazilian plywood, industrial alcohol and a fleet of 30 ships – will develop a taste for the limelight.

"We will try to remain as discreet as possible," said Mr Philippe Louis-Dreyfus, managing director of the group's maritime division, as the meeting drew to a close.

THE GERMAN PFANDBRIEF

Progress Report for Investors

Efforts to enhance transparency and clarify misconceptions paying off

Pfandbriefe continue to attract new investors

Over the course of the last six years the market for German Pfandbriefe – bonds secured by pools of bank loans to Germany's public sector and by pools of commercial and residential mortgages – has changed beyond all recognition. Once viewed as an esoteric and illiquid instrument suitable only for domestic consumption, the Pfandbrief is increasingly adapting itself to the demands of the international investment community, while issuance levels have been growing to record volumes.

New issue activity in the Pfandbrief market exploded following German reunification in 1990 and the boom in demand for public-sector, commercial and residential mortgage loans which accompanied it. As a direct result, new issuance tripled between 1990 and 1993, and while 1994 was a subdued year for all bond markets, in 1995 alone a record DM 325 billion of new Pfandbriefe were issued. Today, the German Pfandbrief market is the fifth largest bond market in the world, with over DM 1.4 trillion outstanding.

Despite growing interest and participation, however, foreign investors still play a minor role in the Pfandbrief market relative to other European fixed-income sectors. While non-German investors are estimated to hold at least 40% of all outstanding German government bonds (Bunds), they account for no more than about 15% of the Pfandbrief market.

There are few rational explanations for the still comparatively lower figure by foreign investors in the German Pfandbrief market: after all, the security backing most Pfandbrief issues is on a par with German government risk, with no Pfandbrief issuer ever having defaulted, while the yield on the bond offers a generous pick-up over Bunds.

Although substantial progress has been made over the last 24 months in terms of the development and internationalization of the Pfandbrief market, there would still appear to be three main reasons explaining some foreigners' continued reluctance to participate as actively in the Pfandbrief sector as they do in the government bond market. One reason is the perception of many investors that Pfandbriefe are illiquid. Another is the misconception that Pfandbriefe bear the same risk characteristics as US-style mortgage-backed bonds. The third reason has to do with the question of ratings, which for domestic investors in Pfandbriefe are unnecessary in view of the instrument's special legal status in Germany.

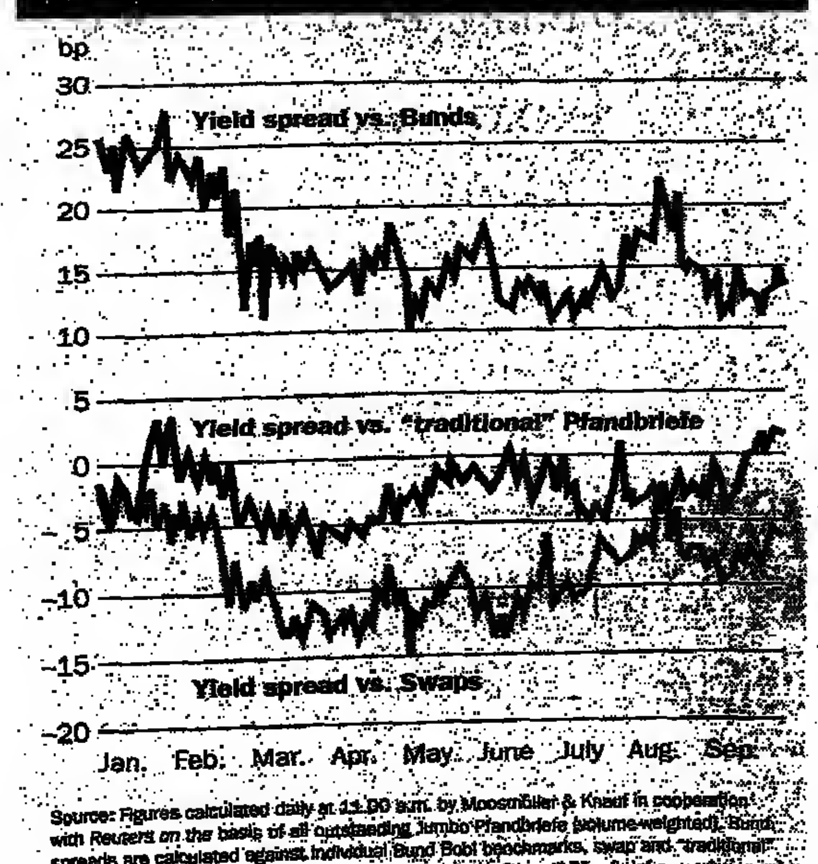
Each of these aspects is worth exploring in greater detail.

Fact Number One:

The liquidity and transparency of German Pfandbriefe have substantially increased

The perceived problem of illiquidity in the German Pfandbrief market has been conclusively addressed over the last 18 months through the introduction and rapid development of the "Jumbo" Pfandbrief market, which has spearheaded the liquidity and transparency of the Pfandbrief market as a whole, drawing the attention of international investors to the high quality of Germany's largest single segment in the fixed-income sector.

Average Jumbo Pfandbrief yield spread to Bunds, traditional Pfandbriefe and Swaps
(January - September 1996)



Source: Figures calculated daily at 11.00 a.m. by Mosenthin & Knauf in cooperation with Reuters on the basis of all outstanding Jumbo Pfandbriefe (volume-weighted). Bund spreads are calculated against individual Bund Bobl benchmarks, swap and "traditional" Pfandbrief spreads against interpolated swap and "traditional" Pfandbrief curves.

Jumbo Pfandbriefe are classified as issues of DM 1 billion or more with maturities of between two and 10 years in which lead managers pledge to quote tight and consistent spreads on amounts of up to DM 25 million.

Firm evidence that these bonds are now far more liquid than their "traditional" counterparts is that a clear spread exists between the two. Over the course of the third quarter of 1996, for example, traditional Pfandbriefe offered a yield pick-up over the new Jumbo instruments averaging some 8.5 basis points – in effect rewarding investors for the lower liquidity inherent in the traditional Pfandbrief *market. Jumbos themselves*, however, continued in turn to trade at an average spread of 13.6 basis points over Bunds.

The German Bond Market
Mid-year 1996

DM 3.8 TRILLION

By the end of September 1996, the total volume of Jumbo Pfandbrief issues had risen to DM 104.6 billion, made up of 67 individual issues. This was an impressive advance by any standards, and means that Jumbo Pfandbriefe accounted for some 30% of the *entire Pfandbrief issue volume since* May 1995.

While the development of the Jumbo Pfandbrief has been the single most important recent stimulus to increased liquidity in the market, it has by no means been the only one. Other key advances have included the launch of new Pfandbrief electronic trading systems, IBIS-R and GDO, and the development of the new indices tracking the price and performance of Pfandbriefe, the PEX and PEXP respectively.

Fact Number Two:

German Pfandbriefe are not the German equivalent of US mortgage bonds

A key feature of the history of the German Pfandbrief market is that no issuer of these bonds has ever defaulted. For this, credit goes both (1) to the watertight nature of the collateral against which *Pfandbriefe* are secured and (2) to the authorities which *oversee the market*. As an *enthusiastic* note on the market published in May by Merrill Lynch insists, "the key investor appeal of this market relates to strict German regulations that govern the quality and structure of all assets securing Pfandbriefe. The Federal Banking Supervisory Authority closely monitors all Pfandbrief issues and issuers, making Pfandbriefe one of the safest international fixed-income investments."

"Safest" is the operative word here, because the security backing Pfandbrief issues must be distin*guished carefully from the collateral* supporting asset-backed (usually mortgage-backed) securities in markets such as the US. The critical difference between the two is that no German Pfandbrief is ever secured against any individual loan per se. Instead, individual Pfandbriefe are all secured against a large, separately registered pool of loans to the public sector (in the case of Public Pfandbriefe) or of first mortgages on *residential* and commercial property (in the case of Mortgage Pfandbriefe). A further in-built safeguard in the case of Pfandbriefe is that no mortgage eligible as collateral can ever exceed 60% of its prudently assessed lending value – which equates to an over-collateralization ratio of 166.67%.

An additional, and critical, feature of the security of the Pfandbrief market in general, and of the market for Jumbo Pfandbriefe in particular, is that the majority of issues have nothing whatsoever to do with the German mortgage *market*. This *makes* the *common* (but inaccurate) reference to Pfandbriefe as "German mortgage-backed bonds" one of the great misnomers of the international capital market.

In 1995, 78% of new issues in the Pfandbrief market were Public Pfandbriefe. This means that the collateral which backs them is made up of a pool of loans to the German public sector in the *form* of the federal and state gov*ernment as well as municipal* authorities. Given that under German law there is a constitutional obligation for mutual financial support (Finanzausgleich) between the Federal Government and the states, municipal governments and other public-sector entities, this means that Public Pfandbriefe effectively offer investors quasi-government risk.

Fact Number Three:

***In Germany, ratings are not* required in the Pfandbrief Market**

Because of their outstanding quality and safety, Pfandbriefe enjoy a privileged position in Germany's regulatory framework, making ratings unnecessary. Their eligibility as trustee securities (mündelsicher) and as collateral for the Bundesbank's money market repo transactions reflects this special status. Furthermore, as part of the *portfolio of German banks and securi*ties companies, Pfandbriefe are privileged in terms of equity requirements. They are preferred as assets for insurance companies' reserves and can be used in the bundled assets of insurance companies.

Given these and other provisions stipulated *by German law*, Pfandbrief issuers have no need for ratings in Germany. And historically, rating agencies were seldom asked by their international clients to assign ratings.

This has *changed since* the *inauguration* of the Jumbo market and the internationalization of the Pfandbrief sector which has accompanied it.

Many international investors are prohibited from buying unrated paper, regardless of their perceived asset quality. With an accelerating trend towards the further internationalization of the Pfandbrief, market forces outside of Germany will increasingly demand ratings for issuers wanting to access a broad and diverse international investor base.

Jumbo Pfandbrief Issuers
As of September 30, 1996

Issuer	No. of issues	Total volume DM (m.)	Share (%)	Average issue size DM (m.)
1. DePfa-Bank	7	17,000	16.25	2,429
2. Hypothekenbank in Essen	7	12,500	11.95	1,786
3. Rheinische Hypothekenbank	5	10,500	10.04	2,100
4. Allgemeine Hypothekenbank	7	10,000	9.56	1,429
5. Bayerische Vereinsbank	5	6,500	6.21	1,300
6. Deutsche Hypothekenbank Frankfurt	5	6,500	6.21	1,300
7. Westfälische Hypothekenbank	4	6,000	5.74	1,500
8. Frankfurter Hypothekenbank Centralboden	4	5,000	4.78	1,250
9. Württembergische Hypothekenbank	3	4,000	3.82	1,333
10. Bayerische Hypotheken- und Wechsel-Bank	2	3,500	3.36	1,750
11. Westdeutsche Landesbank	2	3,500	3.35	1,750
12. Bayerische Landesbank	2	3,100	2.96	1,550
13. DG Hyp	2	3,000	2.87	1,500
14. Berlin-Hannoversche Hypothekenbank	2	2,500	2.39	1,250
15. Norddeutsche Landesbank	2	2,500	2.39	1,250
16. Nürnberger Hypothekenbank	2	2,000	1.91	1,000
17. Landesbank Sachsen	2	2,000	1.91	1,000
18. Deutsche Hypothekenbank Hannover	1	1,500	1.43	1,500
19. Bayerische Handelsbank	1	1,000	0.96	1,000
20. Hypothekenbank in Hamburg	1	1,000	0.96	1,000
21. Süddeutsche Bodencreditbank	1	1,000	0.96	1,000
Total Jumbo Pfandbrief Market	67	104,600	100.00	1,561

Issuer Groups	No. of issues	Total volume DM (m.)	Share (%)	Average issue size DM (m.)
15 Pure Mortgage Banks	52	83,500	79.83	1,606
2 *Mixed Mortgage Banks*	7	10,000	9.56	1,429
4 Landesbanken	8	11,100	10.61	1,388
Total Jumbo Pfandbrief Market	*67*	*104,600*	*100.00*	*1,561*

The German Pfandbrief in a nutshell

The Pfandbrief – for which there is no meaningful English translation – is a German bond issued by a select group of specially authorized banks under a strict legal framework dating back almost *100* years. Germany's Mortgage Bank Act (enacted in 1900) and its Public Sector Pfandbrief Act (of 1927) limits the issuance of Pfandbriefe to 24 pure private mortgage banks, three mixed private mortgage banks, 12 regional Landesbanken and six institutions officially classified as "public sector banks with special tasks". As of the end of June 1996, some 60% of Pfandbriefe outstanding was accounted for by private mortgage banks, with the remaining 40% the domain of *public-sector issuers.*

An illuminating measure of the security offered by the Pfandbrief market is that in its entire history, no Pfandbrief issuer has ever defaulted on its obligations. The collateral backing Pfandbriefe takes the form either of real estate mortgages (in the case of Mortgage Pfandbriefe) or loans to public-sector entities (Public Pfandbriefe). Importantly, and unlike US-*style collateralized* bonds, *the security* is not allocated to any individual issue, but maintained on an independently-maintained register which sharply reduces individual issue-specific risk.

As of the end of December 1995, the German Pfandbrief market was the third largest individual bond market *outside the US and*, with *DM 1,258* billion outstanding, was more than twice the size of the UK Government bond ("Gilt") market. The Pfandbrief market accounts for around 35% of the entire German bond market and is comfortably larger than the Federal Government bond ("Bund") market, which contributes just under 28% of all outstanding German fixed-income products.

GERMANY'S MORTGAGE BANKS

- DEPFA-BANK, WIESBADEN
- BAYERISCHE VEREINSBANK AG, MÜNCHEN
- HYPO-BANK, MÜNCHEN
- FRANKFURTER HYPOTHEKENBANK CENTRALBODEN AG, FRANKFURT
- DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
- RHEINHYP, FRANKFURT
- BERLIN-HANNOVERSCHE HYPOTHEKENBANK AG, BERLIN AND HANNOVER
- DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
- BAYERISCHE HANDELSBANK AG, MÜNCHEN
- WESTHYP, DORTMUND
- HYPOTHEKENBANK IN ESSEN AG, ESSEN
- HAMBURGHYP, HAMBURG
- ALLGEMEINE HYPOTHEKENBANK AG, FRANKFURT
- WÜRTTEMBERGER HYPO, STUTTGART
- SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
- MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
- NÜRNBERGER HYPOTHEKENBANK, NÜRNBERG
- DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER
- RHEINBODEN HYPOTHEKENBANK AG, KÖLN
- CLF HYPOTHEKENBANK BERLIN AG, BERLIN
- NORDHYPO BANK, HAMBURG
- LÜBECKER HYPOTHEKENBANK AG, LÜBECK
- BFG HYPOTHEKENBANK AG, FRANKFURT
- WL-BANK, MÜNSTER
- WÜSTENROT HYPOTHEKENBANK AKTIENGESELLSCHAFT, LUDWIGSBURG
- M.M. WARBURG & CO HYPOTHEKENBANK AG, HAMBURG

For further information about German Pfandbriefe please contact: Verband deutscher Hypothekenbanken, Bonn, Fax (228) 9 59 02 44.

SIEMENS: A TROUBLED CONGLOMERATE

Siemens' earnings growth is stuttering, raising questions about the group's strategy and structure. **Wolfgang Munchau** asks Heinrich von Pierer, chairman, to justify the performance of the German conglomerate, whose shares have underperformed over the past five years by more than 25 per cent

Driving up productivity

Mr Heinrich von Pierer, chairman of Siemens, Germany's second largest industrial group, is frank about the company's share price performance, which has not kept pace with the rest of German industry.

"We are not making enough money. That is clearly the case. And it is also the opinion of the board that we are just not making enough money," he said in an interview. He promised a relentless campaign to drive up productivity beyond existing measures.

For the past two years, Siemens has been increasing earnings at a rate of over 20 per cent each year, but earnings, as Mr von Pierer admits, will remain flat this year with profits growth slowing over the next few years. This is because of the weak economy and the slowdown in the components business. But he promises to hit the self-imposed target of a 15 per cent return on capital, up from a current 10 per cent, by 2000, with uneven progress on the way. To many observers this may come as a disappointment.

In the short term, Siemens will step up efforts to raise productivity under a three-pronged programme to cut costs, to improve innovation and to expand in Asia. Last year, the company managed a record 8 per cent productivity rise, netting about DM8bn ($5.3bn). This year, the increase will be at least as high, probably higher, says Mr von Pierer.

There will be a lot more disposals. "Our recent sale of the high-performance printing division was one of the more spectacular sales. But over the last years, we separated out dozens of businesses. And you can expect a lot more divestments in the future."

However, he defends the structural unity of the company against critics who want it to split into high-technology and low-technology divisions. He says there is no such thing as a low-tech business.

"It is not true that microelectronics, telecommunications and everything connected with electronics is high-tech and the rest is low-tech. Take the new ICE 3 [high-speed train] with its tilting technology, not a hydraulic but electro-mechanical tilting technology. This is high-tech. Gas turbines are high-tech. There you find technical developments, which are absolutely mind-boggling. Maybe it is true that there are things we make that perhaps we should not. But the issue is not high-tech and low-tech."

He opposes the idea of a separation into electronics and electrical divisions, largely because of the strong earnings performance of some of the company's more traditional electro-technical activities. KWU, the energy subsidiary, just ended an unusually successful year, as did the factory automation business, while semiconductors, the star performer last time, suffered a 25 per cent decline in earnings.

"I ask myself why nobody puts that question to my friend Jack Welch [chairman of General Electric]. The reason is he achieves excellent earnings. This must be the only reason, because it is much easier to question the presence of synergies at GE than at Siemens."

He says many of the business units would be worse off if they were not part of the Siemens group. He cites infrastructure projects in central Asia, where Siemens receives bulk orders for the reconstruction work in the telecommunications, energy and transport sectors.

Asia is one of the key planks in Siemens' strategy. It accounts for about 10 per cent of the company's total incoming orders, a share Siemens expects to double by 2000. Without giving up on its German production bases, Siemens is fast building up a network of Asian production sites, which operate at a significantly lower cost base.

Insiders warn that the squeeze in Germany could get worse. The company is relying for two-thirds of its value-added on Germany, even though two-thirds of sales are abroad. The more expensive Germany becomes, the more the company will need job cuts. Over the past three years, Siemens shed about 44,000 workers in Germany.

Along with many other German engineering companies, Siemens has exhausted much of its ability to achieve productivity increases through classic cost-cutting.

Many Siemens factories work three shifts. The company's employees work more flexible hours than they did before. Some of the better paid staff now receive performance-related pay. But there is still some untapped potential, especially if IG Metall, the engineering union, agrees more flexible work contracts.

Mr von Pierer maintains the main productivity issue in Germany is innovation. He says proudly that the number of in-house inventions almost doubled last year to 5,313. Siemens registered more patents than any other German company, and claims to take number two spot in Europe, after Canon. Even small improvements, such as in the efficiency of combined-cycle turbines, would be immediately translated into a large commercial and financial advantage, he says.

In the immediate future, Siemens performance will be affected, probably negatively, by two factors, largely outside its control – the economy and the labour unions. Most of Siemens' businesses lag behind the economic cycle.

The labour dispute in the German engineering industry perhaps marks the greatest financial uncertainty.

As a rule of thumb, each one percentage point rise in engineering sector wages costs Siemens DM200m. Last year's wage settlement and reduced working hours added up to a 7 per cent wage cost increase, or DM1.4bn.

Had labour costs remained static, Siemens would have come close to achieving its 15 per cent target. Siemens and many other German employers fear that the wage dispute could result in another cost increase. Within Siemens, top officials expect that a bad settlement would greatly increase the company's drift abroad.

Mr von Pierer appears determined to close the earnings gap on the best in the sector, notably ABB and General Electric.

But given the German economic and industrial relations environment, this may take a few years.

■ SIEMENS NIXDORF

SNI appealing to PC mass market

It may be a sign of the times to see Media-Markt, one of Germany's largest electronics and electrical goods chains, selling Siemens-Nixdorf (SNI) personal computers in the same dispassionate way in which they normally sell toasters or coffee machines.

SNI computers are increasingly becoming mass market products, not the cheapest in their class but cheap enough to qualify. Every eight to 10 weeks, the company churns out two new models, in new colours and shapes, to keep abreast of one of the fastest changing consumer markets around.

Within SNI, PCs are among the strongest growth divisions. In the last financial year, SNI's PC unit sold about 800,000 computers, with sales of DM3.6bn ($2.3bn), up from DM2.8bn previously. This is a sizeable chunk of the company's total business volume, of DM13.6bn in 1995/96.

The latest news out of Munich is that sales have been picking up strongly in October, although it is too early to predict whether this was a freak movement or part of a trend.

SNI's PC business operates at a profit after it secured break-even in the 1994/95 financial year. Considering that SNI operates from one of the most expensive countries in the world, the turnround is widely seen inside Germany as a success story, especially given the fragile state of the rest of the computer hardware industry.

The man behind this strategy is Mr Walter Rössler, head of the PC business unit, who has been credited for the turnround of the division, having made changes both to the cost and the marketing side of the business.

In an interview at the company's headquarters outside Munich, he forecast that SNI would be among those to survive the continuing, if not accelerating, concentration process, as he sees the market shifting from the no-name producers back towards the branded goods. "The next wave of customers are not the computer geeks, but ordinary customers who are looking for reliability and who are inclined to buy brand names," he said.

With a market share of 14 per cent, SNI is the largest PC manufacturer in Germany, the largest market in Europe. SNI's European market share is between 4 and 5 per cent, which puts it at number three or four in the league table, after Compaq and IBM and alongside Hewlett-Packard.

SNI further consolidated its grip on the German market when it recently bought a 10 per cent stake in Vobis, the computer maker and retailer, an attempt to achieve production and marketing efficiencies and in secure an improved negotiating position for component purchases.

SNI also increased its stake in Escom, the troubled low-price consumer producer and retailer, from 10 per cent to 12.5 per cent, in another sign of SNI's increasing grip on the German market.

But Mr Rössler is notably cautious about the significance of the alliance with Vobis. "It is extremely difficult to justify the alliance exclusively from the point of view of purchasing. That does not work, certainly not against monopolists like Intel or Microsoft. I have always warned against too optimistic expectations."

Key to commercial success in this business is an integrated production and logistics concept.

The new range of PCs has a series of value-added functions, which are not common in many low-end products. One feature Mr Rössler is particularly proud of is the energy saving sleep-mode, which allows a computer in be kept on alert for 24 hours at low energy consumption, a selling point in environmentally sensitive markets such as Germany or Scandinavia.

SNI's PCs are strictly of the standard Intel/Microsoft variety. SNI also shares with Microsoft the belief in the future of the traditional PC, rather than the low cost network computer, which has been held out as a potential threat to the entire computer hardware industry.

Mr Rössler said: "I don't believe in the network computer. The concept does not fit into the present fee structure of Deutsche Telekom (the German telecommunications operator). The bandwith to receive feature films via the telephone network is too small." But he said he could see a market niche for the network computer as a replacement for the dumb terminal or in corporate networks. Mr Rössler predicts that if everything goes to plan, and without external shocks or price wars beyond the usual, the PC unit could achieve a return on capital employed of 5 per cent.

AMERICAS NEWS DIGEST

ADT to sell US vehicle auctioneer

ADT, the electronic security services provider, plans to sell its US vehicle auction business, ADT Automotive, the company announced yesterday. ADT's European vehicle auction business was sold a year ago. In July ADT said it was pursuing a $5bn merger with Mr Wayne Huizenga'a Republic Industries, but the plan was abandoned two months later after it became clear that the deal could not be completed at the original price because of stock market scepticism.

But ADT said that the sals of the vehicle auction business was already on the agenda before the merger was conceived, as part of ADT's strategy of becoming a pure security services company. "Following the proposed divestment of ADT Automotive, ADT will only have activities in the electronic security services sector and our strategy of refocusing resources on the growth and development of the electronic security services business will be complete," said Mr Michael Ashcroft, chairman and chief executive officer of ADT, which is based in Bermuda.

After its recent acquisition of ASH, ADT is now the biggest provider of electronic security services in the UK and Southern California. Sources close to the company said it has been approached by several potential buyers of ADT Automotive, and that the sale was likely to be completed in the first half of 1997. ADT Automotive made operating income of $41m in the 12 months ending September 1996, on net sales of $287m.

Tracy Corrigan, New York

Repsol plans Peru investment

Repsol, the Spanish energy group, has announced plans to invest a total of $240m in its Peruvian activities over the next five years. Repsol said it would invest more than $200m in expanding its liquid gas and marketing operations, and a further amount corresponding to its share of the $116m investment earmarked for the Pampilla refinery, in which it has an indirect stake.

The group also aims to expand its network of gasoline stations in Peru, beyond the 30 stations it currently operates there, to secure a 15 per cent market share over the next few years.

AFX News, Madrid

Banco Santander IPO popular

Banco Santander, the Spanish banking group, said the initial public offering on the Santiago stock exchange of shares in its Santander Chile Holding unit had been oversubscribed. The amount raised from the offer is $137m. The share offering closed on October 31, with subscriptions totalling $165m, above the initial expectations of $100m-$120m. Retail investors accounted for 74 per cent of total demand.

The offering is part of a $290m capital increase for Santander Chile Holding, which is responsible for all the group's activities in Chile, and represents 27.7 per cent of the Santander Chile capital. The balance of the capital increase would be subscribed by Banco Santander itself, the group said.

AFX News, Madrid

YPF at top of expectations

By David Pilling in Buenos Aires

YPF, Latin America'e biggest private oil group, yesterday announced third-quarter profits at the top end of expectations, helped by higher oil and gas prices and a turnround at Maxus, the loss-making group bought last year.

YPF also announced that Maxus is to form a joint-venture with Amoco of the US, aimed at cutting costs of oil and gas operations in the Texas Panhandle and western Oklahoma. The accord with Amoco, which still requires ths formal approval of both boards, has been long awaited by Argentine energy analysts, who believe YPF needs a US partner to increase efficiency.

"They've now got rid of most of the Maxus problems," said Mr Christopher Ecclestone of brokers Interacciones. "YPF's overall results look really good, with pre-tax income dramatically above last year."

Net profits of $231m were at the high end of market expectations according to Mr Daniel Tassan-Din, head of research at Deutsche Morgan Grenfell in Buenos Aires, against $264m. The comparable period included an exceptional gain of $65m, and YPF also started paying corporate tax this year, representing an additional cost over 1995 of $85m.

A 54 per cent increase in operating income waa largely due to higher oil prices.

This quarter, Maxus moved into the black for the first time, showing a profit of $4.3m after dividend payments, against a loss of $9m in the June quarter.

At the time of last year's takeover, Maxus was "a company with very long legs but with a very small head," said Mr Roberto Monti, Maxus chief executive-officer. The US group had excellent engineers but bad management, which had used US gas operations as a cash-cow to finance extravagant global ambitions, he said.

Mr Monti, who is due to take over from Mr Nells León as CEO of YPF next March, said the new management team had cut costs while raising production and reserves.

Maxus had also satisfactorily resolved a dispute with the new Ecuadorian government, and would convert its service contract for block 16 to a production sharing agreement, he said.

Mr Tassan-Din said YPF was cheap compared with its leading international competitors. It had a prospective p/e ratio for 1997 of 10.7 compared with an average of 14.5 for other leaders.

Cost cuts in the pipeline: Maxus plans Amoco venture

New capacity lifts Telebrás at nine months

By Geoff Dyer in São Paulo

New telephone lines and increased traffic helped Telebrás, Brazil's state-controlled telecommunications company, to more than double third-quarter consolidated net profits, it said yesterday.

The company said profits rose from R$265m to R$640m (US$623m)in the period from July to September. As a result, profits in the first nine months of the year had risen from R$573m to R$1.98bn.

Turnover grew 61 per cent, from R$7.5bn to R$12bn, in the first three quarters, wbile earninge per 1,000 shares advanced from R$2.7 to R$7.45.

Analysts said the figures were slightly above expectations but cautioned that a breakdown of the results, the group's balance sheet or detailed figures for the holding company were not yet available.

Telebrás said the improvement came from new telephone capacity, increased volume of calls, higber tariffe and lower financial charges.

The results were issued in accordance with recent changes in Brazilian corporate law, whicb prohlbits companies adjusting figures in line with inflation, and are tberefore not directly comparable. The law is part of the government's anti-inflationary strategy of removing automatic "indexation" from the economy.

The news lifted the preference shares 1 per cent to R$81.2. This followed a 2 per cent rally in Telebrás preference ehares on Tuesday after the Brszilian government confirmed its plans for privatising cellular services, probably in May 1997.

The government is to sell "B-band" concessions which will compete against the "A-band" services operated by Telebrás's state subsidiaries. As cxpected, the concesslons will last for 15 years. However, the tender process is simpler than originally proposed, which could drive up the prices of concesslons.

Mr Jacobo Valentino, analyet at Deutsche Morgan Grenfell in Sao Paulo, said the government's decision not to charge the etate companies for the "A-band" concessions was "good news" for Telebrás ehares. The announcement had also lifted any uncertainty about the government's willingness to go ahead with privatising cellular servicss, he said.

Analysts believe there is big potential for growth in both conventional and cellular services in Brazil because of etrong demand and under-investment in the past.

Henkel offers $1.2bn for Loctite

By Richard Waters in New York

Henkel, the German chemicals company, launched a formal $1.2bn tender offer on Tuesday for the 65 per cent it does not own of Loctite, sparking a rare hostile bid in the US by a German company.

The movs came ths day after Henkel executives presented the case for a takeover to a special committee set up by the US adhesives and aealants group to consider the question.

However, in the 12 days since Mr Dieter Winkhaus, Henkel chief executive, first proposed a $56-a-share acquisition to his opposite number, Mr David Freeman, Loctite has failed to indicate any willingness to negotiate, according to a person familiar with the discussions.

The latest move by Henkel, which is being advised in the US by Rothschild Inc, marks an intensification of its efforts to put pressure on the Loctite board to agree to an acquisition. It first announced its interest in buying the company late last month.

By putting a 60-day deadline on its tender offer on Tuesday, however, rather than the more usual 30 days, ths German company appeared to leave some room for negotiation between the two sides, rather than forcing an all-out battle. With 35 per cant of the company already, Henkel is thought to be in a strong position to take its holding above 50 per cent.

The tender offer, at $57¼ a share, values the US company at 14.6 times its expected earnings this year, according to a regulatory filing made yesterday.

Loctite's shares edged $⅝ higher in New York yesterday morning, to $58⅝, on hopes that Henkel would eventually be forced to lift its offer again to secure the Loctite's board's approval.

"It remains our preference to enter into a friendly, negotiated transaction with the management and board of Loctite," Mr Winkhaus said in a statement on Tuesday.

CSX bid fuels Conrail battle

By John Authers in New York

The acrimonious struggle for the control of Conrail, the US railroad company, intensified yesterday as CSX significantly raised of its bid for the company.

Norfolk Southern, a rival railroad which has made a competing bid, confirmed that it had ended its talks with CSX over a possible amicable resolution to the issue, involving a split of Conrail's routes and assets.

This followed heavy dealing in all three companies on Monday, which had been fuelled by speculation that Conrail would be split.

A successful takeover by either CSX or Norfolk Southern would create the largest US railroad company.

Analysts yesterday suggested that CSX's revised bid had brought an end to the process a little closer, although both legal and regulatory barriers made it hard to compare the offers.

Norfolk Southern's hostile bid of $100 per share, all in cash, values Conrail at about $9.1bn. The response by CSX is complicated, involving both cash and stock. As in the original merger negotiated by the boards of CSX and Conrail last month, 40 per cent would be in cash and 60 per cent in stock.

The cash element has been increased from $92.50 to $110 a share. However the conversion ratio for the remaining 60 per cent of the stock remains at 1.86 CSX shares on offer for each Conrail share. This is equivalent at yesterday's values to $80 per share.

Mr Anthony Hatch, transport analyst at NatWest Securities, said that pricing the offer was difficult because a gap of a year could almost be guaranteed between CSX taking control of Conrail and finally completing the share swap.

CSX claimed it could raise its bid because had found an extra $180m in synergies and cost savings. It added there were clear public policy advantages to the merger.

Both CSX – down $1 to $43 – and Norfolk Southern – down $1 to $88⅛ – lost ground in early trading yesterday. Conrail's shares rallied $1⅛ to $93⅞. Before the first bid was announced last month, it had been trading at $69⅞.

Demand for $250m commitment to build a cruise ship at Finnish shipyard

Kvaerner fails to find Cunard buyer

By Tim Burt

Kvaerner has failed to find a buyer or joint venture partner for its Cunard subsidiary after demanding almost $600m for the famous cruise line, including vessels such as the QE2 and Royal Viking Sun.

The Norwegian shipbuilding and engineering group, which took control of Cunard following this year's £904m ($1.47bn) takeover of Trafalgar House, was said by Cunard insidars to have deterred would-be bidders with its price tag.

"Companies have entered talks but they have broken down over the financial negotiations," said one Cunard executive, who asked not to be named.

According to Cunard estimates, Kvaerner is not only seeking $325m for the five-ship fleet, but a further premium for the brand name and – controversially – a $240m-$250m commitment from any buyer to build a cruise ship at its Masa yard in Finland.

In the absence of an outright disposal, Kvaerner has made clear it would seek to reduce its stake to about 30 per cent in a joint venture agreement.

Some shipping industry analysts yesterday described the Kvaerner demand as "excessive".

"There is only one really modern ship in the fleet and that is the Royal Viking Sun," said one. "The others, particularly the QE2, are very costly to run."

Kvaerner, which has recently moved its international headquarters to London, refused to comment.

Next week, however, the group is expected to confirm that it has failed to find an outright buyer or joint venture partner for Cunard when it announces its third quarter figures.

The company warned that it would not be releasing any figures for the cruise line, which last year made operating losses of £16.4m.

It is expected, nevertheless, to claim that the losses have not worsened and that the programme to return Cunard to profit within two years remained on track.

That programme was drawn up by Mr Peter Ward, who resigned six weeks ago as Cunard chairman citing family reasons. He has been replaced by Mr Antti Pankakoski, formerly vice-president of Kvaerner's shipbuilding division.

Neither Mr Ward or Mr Pankakoski were available for comment yesterday.

Murdoch pursues ASkyB launch

By Raymond Snoddy

Mr Rupert Murdoch, chairman of News Corporation, plans to push ahead with launching American Sky Broadcasting next year, despite the likely scaling down of MCI's involvement in the satellite television venture following the US telephone company's mooted $20bn merger with BT.

Mr Murdoch told the FT he was pondering three options – pushing ahead on his own with MCI as a minority shareholder, bringing in a new partner, or launching a share issue to raise more money for the venture.

The News Corp chairman said he was under no financial pressure in the funding of the satellite venture: "We have $3bn in the bank."

On Sunday, after the merger plans were announced, Mr Bert Roberts, MCI chairman, said it was redefining its relationship with News Corp. MCI's stake in ASkyB would probably fall from a planned 50 per cent to less than 20 per cent.

In January, MCI joined News Corp in bidding $682m for the US's last national satellite television spectrum.

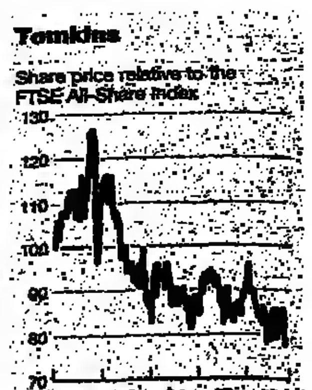
Mr Murdoch, a director of MCI, said he understood MCI's position in the BT merger. "I think this is a very good deal for MCI and a very high price," said Mr Murdoch, acknowledging it needed more financial muscle to take on AT&T in the US.

MCI has already invested $1.35bn in News Corp and a further injection of $650m was agreed a few weeks ago but not publicly announced. News Corp will not now draw down the money.

Mr Murdoch conceded the stake would have to be sold if the MCI shares in News Corp were to turn out to be a regulatory problem blocking the completion of the BT-MCI merger.

LEX COMMENT

Tomkins



It is surprising that a company that has been so successful at making its operating assets sweat has failed to apply the same practice to its balance sheet. Tomkins is Britain's only remaining large unreconstructed conglomerate, still singing the virtues of diversity and deals. Its management style has much to commend it, producing buns as efficiently as guns. But there are good reasons why its shares are at the same level as when it acquired Ranks Hovis McDougall in October 1992. It has achieved poor returns on capital from deals, particularly RHM; and it has an excessively conservative balance sheet. So even though the recent $1.16bn Gates buy looks sound, the shares continue to drift down.

There are obvious remedies. Tomkins should have almost £900m of net cash by 1998, having cleaned up Gates. If it pumped that £800m into a programme of share buy-backs, it would enhance earnings in 1998 by more than 10 per cent. Moreover, its cost of capital would fall, making it easier to achieve value enhancing deals. Alternatively, it could demerge RHM, which would command a premium to Tomkins' lowly market rating. And growth in the remaining group would accelerate. Smith & Wesson also looks a good candidate for a value enhancing spin-off.

Sadly, Tomkins' conviction that conglomerates work and that cash is a core strategic asset inspires limited hope of change. Perhaps the company needs the unwanted attentions of a swashbuckling conglomerate.

UniChem plans shop closures

By Christopher Price

One in ten of Lloyds Chemists' 934 shops could be closed if the £643m ($1,048m) bid by UniChem is successful.

Mr Jeff Harris, chief executive of UniChem, said yesterday the company intended to transfer the pharmacy licences to large supermarkets which provided more lucrative returns and held out better prospects.

The pharmacy industry is already under threat from the prospect of the ending of resale price maintenance on certain drugs, declining National Health Service prescription prices and reports that Marks and Spencer is considering eotering the vitamins market.

UniChem is battling with Gehe, the German drugs wholesaler, which launched a £650m offer for Lloyds on Tuesday. UniChem owns the Moss pharmacy chain, which has about 420 outlets, while Gehe's AAH business has about 300.

The value of UniChem's cash and share bid fell about £7m yesterday after a 3.5p decline in its share price.

Pharmacy licences are strictly controlled by the Department of Health and the current figure of 12,000 has changed little in recent years.

Pilkington drops float plan

By Ross Tieman

Pilkington Group, the UK-based glassmaker, has abandoned plans to float a 49 per cent stake in its Australian subsidiary Pilkington Australasia.

Instead, the group is investing A$50m ($39.6m) to reinforce the subsidiary's position at the heart of its fast-growing Asian sutomotive glass operation.

The strategy reversal stems from a desire to match an upsurge in production planned by the international carmakers that are its customers, and a diminished need for cash.

Mr Roger Leverton, chief executive, said: "Since we stated that intention, the automotive manufacturers have really reassessed their position in Australia."

Both Ford and General Motors, the US carmakers, have put further investment into Australia, using it as a hase to supply vehicles to Asian countries too small to support indigenous car assembly plants, he said.

"Given that we have to support Ford and General Motors and so on ... it would be very difficult if we have 49 per cent held by a third party because it doesn't give us that flexihility to be ahle to offset prices in one place against prices in another to gain volumes, and so on," said Mr Leverton.

Plans to float part of the Australasian business were announced in February 1994 hut suspended that summer because of poor stock market conditions.

With annual sales of more than £200m, Pilkington Australasia dominates the Australian market. It has float plants producing sheet glass in Dandenong, Victoria, and Inglehurn in Sydnay, and glass processing operations in New Zealand.

Its main automotive plant is in Geelong, Victoria; while a second plant in New Zealand acts as a global source for replacement windscreens for vehicles that are out of production.

Pilkington, which has annual sales of £2.9bn, and equips one in every four vehicles huilt worldwide, is engaged in a glohal battle to increase its share of the automotive glass market.

Roger Leverton

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Boustead	6 mths to Sept 30	5.9	(12.9)	1.38L♠	(0.004)	2.1L	(0.03)	nil	-	0.35	-	1
Charles Stanley	6 mths to Sept 30	8.37	(7.38)	1.01♠	(1.25)	6.68	(10.42)	0.825	Dec 30	0.625*	-	2.92*
Electrocomponents	6 mths to Sept 30	293	(257.3)	48.3	(41.9)	7.6	(6.6)	2.4	Jan 20	2	-	8.6
Henderson	6 mths to Sept 30	37.1	(32.8)	10.8	(9.77♥)	33.91	(30.65)	13.5	Jan 7	13.5	-	45
Hicking Pentecost	6 mths to Sept 30	49.7	(39.3)	3.84	(3.4)	12.4	(11.2)	2.4	Jan 7	2.1	-	6.5
L Gardner	Yr to Aug 31	22	(16.5)	2.53	(1.77)	16.8	(12.5)	4	Dec 18	-	6	-
Luminar	6 mths to Aug 25 ♦	12	(10)	1.58	(1.21)	7.7†	(7.5)	2.33	Jan 17	-	-	-
NMT Computing	Yr to Aug 31	16.9	(14)	4.53♥	(3.08)	24.6	(16.3)	6	Jan 6	4.4	8.7	6.2
Raglan Properties	6 mths to Sept 30★	24.8	(16.4)	1.02	(4.18)	0.44	(2.34)	-	-	-	-	1.1
UPF	Yr to Aug 31	55.4	(47.8)	8.74	(5.68)	14.27	(13.95)	2.8	Jan 17	2.75	4.5	4.25
Westbury	6 mths to Aug 31	131.5	(89.6)	9.71	(8.51)	7.4†	(6.3)	2.15	Jan 6	2	-	6.05

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Tot year	year
Ecu	Yr to June 30	79.8	(72.8)	0.056	(0.253)	0.19	(0.84)	nil	-	0.5	nil	0.5
Jersey Phoenix	Yr to June 30 1997	-	(-)	-	(-)	-	(-)	1.5§§✢	Dec 27	1.25	-	5.8
Northern Investors	8 mths to Sept 30	416.3	(384)	0.107	(0.124)	2.8	(3.3)	2	Jan 17	2	-	7
Northern Venture	46 wks to June 30	93.2	(95#)	0.317	(-)	2.18	(-)	1.35	Dec 16	-	-	-
Northern Venture	13 wks to Sept 30	94	(95#)	0.126	(-)	0.84	(-)	0.6	Dec 16	-	2.9	-
Perpetual Income	6 mths to Sept 30	99.1	(-)	3.72	(-)	2.1	(-)	1.75	Dec 8	-	-	-

Earnings shown basic. Dividends shown net except §§Gross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. *Equivalent after adjusting for scrip issue. ♦Pro forma throughout. †On increased capital. ★Comparatives restated. ✢First interim. #Value at launch.

TI urged to lift Forsheda bid

By Tim Burt

Henderson Investors, the fund manager, yesterday urged TI Group to lift its £189m ($308m) bid for Forsheda, the Swedish polymer engineering company.

The fund manager, which controls 12.8 per cent of Forsheda's listed B shares, last night wrote to TI's brokers warning them that they would vote against the deal unless it was increased.

Henderson claimed investors in the B shares should receive an extra 10 per cent payment from TI.

TI last night confirmed it had received the Henderson letter but that it was not changing its offer. Earlier this week, TI declared the offer final.

In its letter, the fund manager asked the UK engineering and aerospace concern to lift its offer of SKr225 a share ($33.74p) for holders of the B shares to match the SKr247.5 a share offered to A share holders.

TI's bid, however, has the backing of Forsheda's board and its advisers, Enskilda Securities. It also has irrevocshie acceptances from Agora, the holding company of the founding family, in respect of its boldings. These give TI sway over 20.6 per cent of the shares, and 63.6 per cent of voting rights.

The Forsheda bid closes tomorrow.

T&N seeks Kolbenschmidt options deal

By Tim Burt

T&N, the engineering group, yesterday vowed to maintain its pursuit of Kolbenschmidt, the German pistons manufacturer, despite a warning from Commerzbank that it would not extend T&N's options over a 49.99 per cent stake in the company.

Commerzbank, which has held the Kolbenschmidt shares on T&N's behalf for more than two years, has told T&N it would not extend the options beyond the end of the year.

The move has forced T&N to explore ways of "garaging" the shares with sympathetic institutional shareholders while it seeks to overturn objections to the deal from the German cartel office.

It is understood to have approached several German institutions about acquiring the Commerzbank options, which expire at the end of next month.

T&N officials hinted that a deal could be signed in the next two weeks.

Undar the innovativa scheme, most of the shares could be held by one institution with smaller investors acting as nominees over a minority holding.

Kolbenschmidt, however, yesterday claimed that such a move might break German takeover rules – a suggestion rejected by T&N.

Tha German company added: "We are sure that no German bank would countenance this proposal, because the cartel office has already ruled against the takeover."

The UK group, for its part, reiterated that the acquisition was backed by many of its motor industry customers, inclnding companies such as Mercedes and BMW.

If it manages to win court backing for the Kolbenschmidt takeover, T&N could exercise options over 49.99 per cent of the company for DM282.6m ($187.5m).

In the event of winning tha bid battle, T&N has already hinted that it would stagger the acquisition to preserve its balance sheet.

Smart operator in the telecoms sector

Nicholas Denton finds that two of the biggest recent deals share a common factor of success

Dautsche Telekom's privatisation, the world's largest equity offering, and British Telecommunication's acquisition of MCI, the record-breaking transatlantic merger, have more in common than superlatives. In the thick of both deals is Mr Tony Alt, joint chief executive of NM Rothschild's corporate finance business and one of the leading bankers to the telecoms sector.

As adviser to Deutsche Telekom, Rothschild bas helped the German giant manage the often fractious investment banks such as Deutsche Bank and Goldman Sachs which are actually marketing the DM15bn ($9.75bn) share offering.

With only two weeks to go before Telekom shares begin trading, BT announced on Sunday it was paying more than $20bn for the 80 per cent it did not own of MCI Communications, tha US long-distance carrier. Up popped Rothschild again, as lead adviser to BT.

For Rothschild – whosa shabby headquarters near the Bank of England give some the impression of a great house fallen on hard times – the double is particularly welcome.

The bank's UK corporate finance franchise has suffered from the departure or semi-retirement of several prominent executives. Tha deals give credence to the bank's claims to have one of the leading teams in one of the hottest sectors for deals. "We may be seen as small but we have critical mass in telecoms," said Mr Alt. "For banks of choice, it is either us or Goldman. That's the fact whether the others like it or not."

Rothschild's record in telecoms owes much to its 20-strong specialist team. Much of the actual work on BT's acquisition of MCI was managed by Mr Nigel Higgins, for instance.

But, as much as any individual can determine the fate of an investment bank, Mr Alt has been responsible for the bank's success in telecoms.

In an investment banking business in which public stars are increasingly suppressed to encourage teamwork, Mr Alt is one of the few distinctive individuals. "You could hardly tell me who was running Salomon Brothers and Goldman Sachs," said Sir Michael Richardson, vice-chairman of NatWest's corporate finance business. "Tha cult of personality has disappeared elsewhere, but Tony Alt is what has got most of Rothschild's business."

Tony Alt: at the core of two telecom deals

Investment banking was not in Mr Alt's blood. His father, a Hungarian Jew, was a diamond trader and his son, born in 1946, followed him into business. In 1973, as a budding corporate financier, Mr Alt left Charterhouse Bank for NM Rothschild.

The bank's route into telecoms banking was circuitous. Rothschild, well connected with Conservative politicians, won work as advisers to the government on 1980s privatisations such as British Gas and British Petroleum. The breakthrough in telecoms came in 1991. SG Warburg, acting as government adviser on the second tranche of BT's privatisation, resigned as adviser to the company. NM Rothschild stepped in.

From then on the assignments came swiftly. Rothschild was perceived as too small to win the prized and lucrative positions of global co-ordinator, but under Mr Alt it developed a niche business advising governments and companies on privatisation and how to deal with other investment banks.

Rothschild was, other investment bankers joke, the eunuch in the harem: ruining their business by negotiating down the fees on international equity offerings below the 3 per cent of deal size seen as standard.

That reputation has helped Rothschild win telecoms privatisation assignments in countries as diverse as Cuba, Moldova, Greece, Hungary and the Ivory Coast, as well as in the UK and Germany.

Along the way Mr Alt, although he has never actually seen a telecoms exchange, has developed into a something of a specialist. "We got some deals and learned on the way," he said. "I'm not e technological expert but I've had to learn the economics and the regulation."

Mr Alt conceded that some of Rothschild's telecom business came by fluke. But the rewards in investment banking often go to the opportunists. And Mr Alt – while his famous temper sometimes handicaps him as s manager and negotiator – has a talent for making the most of his chances. "I do go for it," he said.

Rothschild's telecoms practice is not home and dry. Rivals say the bank is over-stretched when working simultaneously on complicated deals.

While the company has clients among privatised or privatising giants such as Deutsche Telekom and BT, it has fewer relationships among the fast-growing interlopers into the sector. And Rothschild, through its recent joint venture with ABN Amro, is now trying to sell international equity offerings, as well as advising clients on them. Rothschild is trying to have it both ways. But Mr Alt, a fit squash and cricket player who smokes two packets of Silk Cut a day, is a master at reconciling contradictions.

Channel tunnel freight at peak last month

By Motoko Rich

Freight traffic through the Channel tunnel reached a new monthly record last month, as Le Shnttle carried 60,360 lorries, up 12 per cent from the previous monthly high in July.

Eurotunnel, the tunnel operator which has recently agreed a restructuring of its £9.1bn bank debt, said that Le Shnttle's freight numbers represented a 42 per cent rise on October last year.

On the tourist side, October was the second best month of the year, with 241,273 cars, motorcycles, trailers and caravans travelling on Le Shuttle, double the 120,368 which made the journey in the previous October. Some 7,671 coaches – an all-time high – travelled on Le Shuttle in October, up from 3,794 last year.

Passenger numbers on Eurostar, the walk-on service run by London & Continental Railways, the consortium which is building the high speed Channel tunnel rail link, jumped 52 per cent to 498,244.

Eurotunnel said this was attributable in part to the intensified marketing focus which Mr Richard Branson's Virgin has brought to the L&C consortium. Virgin has a 17 per cent stake in L&C.

Eurotunnel said numbers were also rising steadily as customers grew accustomed to using the tunnel as opposed to alternative means of crossing the channel.

Expectations of a seasonal downturn were being confounded by a steady npward trend in usage figures. The gronp also anticipated a Christmas rush.

Bankers and shareholders are currently considering details of Eurotunnel's complicated deht plan, which would dilnta investors' stakes in daht-for-equity swaps.

It will be voted on at an extraordinary meeting, probably next April.

Electrocomps rides slump

By Motoko Rich

Electrocomponents, the distributor of electronic, electrical and mechanical components, defied the worldwide slump in the semiconductor market to raise interim pre-tax profits 15 per cent to £48.3m ($78.7m).

The group, which distributes components via catalogues rather than in bulk contracts, achieved the rise in the face of difficult general economic conditions in several of its markets.

Profits last time were £41.9m. Sales in the six months to September 30 increased nearly 14 per cent to £293m.

The shares shed 7¼p to close at 417½p.

Only 10 per cent of the company's product range is dependent on tha semicondnctor market, where prices have dropped as much as 80 per cent over the past year.

Mr Robert Lawson, chief executiva, said the company supplied not only traditional components but books, hardware, adhesives and cleaning materials.

Bulk distributors focus on much narrower prodnct ranges and have been hit more severely by falls in semiconductor prices.

In the UK, the RS brand pushed sales ahead 12 per cent, whila sales to customers outside the UK rose 22 per cent.

The company is planning a capital expenditure programme of more than £30m to expand facilitiea in France, Italy and Germany. Mr Lawson indicated the company could be interested in expanding by acquisition in the US.

Redland receives German approval

By Andrew Taylor, Construction Correspondent

Redland tha UK building materials group, has received the necessary approval from German authorities to allow the reorganisation of its European roofing tiles business to proceed, the company announced yesterday.

It bas now signed the necessary agreements with minority shareholders of Braas, its majority owned German subsidiary, which is purchasing Redland's western European tile operations.

Redland in return will receive £220m ($358.6m) cash and increasa its stake in Braas from 50.76 per cent to 56.5 per cent.

The UK group intends to hold an extraordinary meeting on November 27 when its shareholders will be asked to approve the sale.

The merged tile operations of Redland and Braas will be renamed RBB group. Redland plans to use the cash from Braas to strengthen its international aggregatas operations and to seek opportunities to invest in tiles and other roofing products outside of Europe.

Redland's shares rose ½p to 423¾p.

US buoyancy gives Europe early support

GOVERNMENT BONDS

By Richard Lapper and Ramraj Gogna in London and Lisa Bransten in New York

Italy and Spain were again the centre of attention in European markets, initially moving sharply higher following's Tuesday's strong performance, before losing ground later in the day.

Buoyancy in the US market, following Tuesday's presidential election, provided early support and there were reports of heavy US institutional buying of European bonds, with hedge funds again said to be particularly active.

On Liffe, the December BTP contract rose to a high of 126.43, before settling at 125.70, up 0.10. In the cash market the Italian 10-year yield spread over Germany fell to a low of 190 basis points – bringing Italian yields flat to gilts – before dropping back to 194 basis points, still down 4 points on the day.

Spanish bonds were stronger, with the December bono settling more than a quarter percentage point higher at 109.02 and the 10-year yield spread over Germany falling by 6 basis points to 162 points.

With early strength in the US contributing to a euphoric mood, the markets brushed off the European Monetary Institute's report, which said EU states were dragging their heels on fiscal deficit reduction.

"Many traders never got beyond the headlines," said Mr Mark Fox, chief European strategist at Lehman Brothers. Dealers said that release of Italian October inflation data – confirming the annual rate has fallen to 3 per cent – provided justification for some buying.

Later in the day, rumours of a possible delay to Emu helped engender a more cautious mood. "Spreads are incredibly stretched," said Mr Fox. "Any story would be enough to move them out".

"People felt that the market was going to go up and they just needed an excuse to buy," said Mr Julian Jessop, chief European economist at Nikko Securities.

"If you had asked me six months ago which was the spread I would be watching, I wouldn't have guessed it would be Italy against the UK and Spain against the UK, but that is the way people are playing it," he added.

In the UK the long gilt rallied by $\frac{13}{32}$ to 109$\frac{29}{32}$ on the back of overnight gains by US Treasuries, but then prices fell sharply lower from midday, with fears raised by the release of the Bank of England inflation report. The long gilt dipped to 108⅞ before settling at 109⅝, up ⅛ on the day.

In the cash market, the benchmark 10-year gilt rose $\frac{1}{16}$ to end the day at 99¼, its yield falling 1 basis point to 7.61 per cent. It underperformed the equivalent German bund, with the yield spread widening by two basis points to 184 points. But analysts in London remained bullish over the medium term.

German and French bonds both rose, again helped by strength in the US. On Liffe the December bund contract settled at 100.33, up 0.21, while the December notional gained 0.42 to settle at 127.38.

Investors largely liked what they saw in the results of the US elections, helping Treasuries to hold on to the sharp recent gains.

Bonds surged on Asian buying as the polls gave the markets exactly what they expected, continued Republican control of both houses of Congress and a second term from the Democratic president, Mr Bill Clinton.

However, profit-taking took hold of the market as trading began in New York, sending Treasuries back to where they had been late on Tuesday.

By early afternoon, the benchmark 30-year Treasury was up $\frac{1}{32}$ to 102¼, yielding 6.580 per cent – its lowest level since March – while the two-year note slipped $\frac{1}{32}$ to 100¼, yielding 5.722 per cent. The December 30-year bond future rose $\frac{1}{16}$ to 113$\frac{11}{32}$.

Analysts said that, given that there should be little change in general direction of monetary or fiscal policies, following the election, the market's focus would likely return to economic fundamentals.

Also on the agenda yesterday was the second leg of the Treasury Department's quarterly refunding operations.

Traders were optimistic that decent demand would be shown at the afternoon auction of $10bn in 10-year notes, despite the somewhat lacklustre appetite shown at Tuesday's auction of three-year notes.

Existing 10-year notes were $\frac{3}{32}$ higher at 101¾ to yield 6.252 per cent.

The Treasury concludes its refunding operations today with the sale of $10bn in 30-year bonds.

Banks improve their disclosure of derivatives

By Samer Iskandar

Disclosure by banks and securities houses of their derivative positions improved significantly last year, according to a regulators report published today.

The report – by the Basle Committee on Banking Supervision and the Technical Committee of the International Organisation of Securities Commissions – says disclosure of both qualitative and quantitative information has improved.

Of a total of 79 institutions participating in the survey, 71 discussed the objectives and strategies of their trading activities, compared with 38 when the survey was first conducted in 1993. Sixty-six institutions had disclosed the same information in relation to their non-trading activities, up from 37 two years earlier.

The number of institutions giving more information about how they monitor their credit and market risks has almost doubled over the same period.

However, these institutions remain in a minority. The report pointed out that "more than half of the institutions included in the survey still do not discuss how these risks arise and how they are managed".

The survey also showed that institutions differ in the level of detail they are willing to make public. But despite these shortcomings, the report comes to the conclusion that "there have been notable enhancements in the qualitative discussions".

There has also been an improvement in the disclosure of quantitative information. "A noteworthy development in 1995 was the continued expansion in the number of institutions disclosing quantitative information on their exposure to market risk", the report says. "In 1995, 36 banks provided value-at-risk based disclosures, as compared with 18 in 1994 and 4 in 1993."

However, the institutions covered by the survey continue to differentiate between trading activities and non-trading activities.

The report points out that "the number of banks that furnished quantitative information on their non-trading activities remained low", while "there was some increase in the number of institutions providing quantitative disclosures of trading account market values".

The treatment of credit risk also remains patchy in some cases. While 41 institutions provided information on counterparty credit quality, up from 27 in 1994 and only 6 in 1993, few institutions chose to provide information on collateral and other credit enhancements.

But overall, the report shows that the representative sample of financial institutions appears to follow the public disclosure recommendations issued in November 1995 by the Basle Committee and Iosco's Technical Committee. These recommendations were based on the authors' belief that "meaningful public disclosure can play an important role in reinforcing the efforts of supervisors to foster financial market stability".

Survey of Disclosures about Trading and Derivatives Activities of Banks and Securities Firms. Bank for International Settlements, CH-4002 Basle, Switzerland.

Continued demand for eurosterling offerings

INTERNATIONAL BONDS

By Conner Middelmann

The eurobond sector saw continued demand for sterling-denominated assets, prompting the launch of two eurosterling bonds.

"The currency has been having a good run recently, and compared with the rest of Europe, sterling bonds look incredibly cheap," said one syndicate manager. "Quite a few international investors have been getting overweight in sterling."

Anglian Water, the UK water and sewerage company, issued £150m of 10-year bonds, its first bullet eurobond since 1990, when it launched a 24-year issue.

Due in part to the relative rarity of water utility bonds and investors' preference for water over electricity companies, the issue saw healthy demand and was oversubscribed, joint leads BZW and JP Morgan said.

Some UK institutions deemed the pricing of 52 basis points over gilts aggressive but, according to a syndicate official, international accounts in Europe, Asia and the Middle East were keen buyers. The bonds were bid at 52 basis points over gilts in late trading.

Standard & Poor's assigned the bonds a rating of AA-. "Anglian's robust financial profile and stable operating environment should provide the company with a fair degree of insulation from the impact of key regulatory and political event risks going forward," the agency said. But it warned that "the potential for a sudden decline in credit quality still exists should a takeover or aggressive windfall tax on utilities materialise in the future".

Salomon Inc issued £150m of five-year floating-rate notes yielding 60 basis points over Libor at the re-offer price. Lead Salomon Brothers reported strong take-up from banks in continental Europe and the UK. The notes ended the day bid at the re-offer price.

In the US dollar sector, the Federal Home Loan Mortgage Corp (Freddie Mac) issued $500m of five-year global bonds priced at 52 basis points over Treasuries. The deal, jointly led by Fuji International, Merrill Lynch and Salomon Brothers, was targeted at Asia, where it met healthy demand, but also sold to European investors. Late in the day it launched an additional $250m of three-year eurobonds via Goldman Sachs.

The New Zealand dollar sector saw two deals: NZ$100m of one-year notes for the World Bank, targeted at Canadian and European retail investors, and a NZ$100m three-year offering for Commerzbank, aimed mostly at European retail.

Elsewhere, Cades, the body set up to manage the French social security system's accumulated debt, announced plans to tap into three existing bond issues – the 5.5 per cent bond due 2002, the 6 per cent bond due 2005 and the 6.25 per cent issue due 2007 – through an auction next Wednesday.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
NAT, 1996-A, Class A1(a)★‡	350	(a1)	100.00	Aug 1997	0.125	-	Lehman Brothers
NAT, 1996-A, Class A2(a)★	340	5.80	99.9784	Jul 1998	0.20	-	Lehman Brothers
NAT, 1996-A, Class A3(a)★	220	5.90	99.9131	Jun 1999	0.25	-	Lehman Brothers
NAT, 1996-A, Class A4(a)★	120.14	6.10	99.9738	Jun 2000	0.275	-	Lehman Brothers
Fed Home Loan Mtg Corp(b)	500	6.55#	100.00R	Nov 2001	0.25R	+52(6¼%-01)	Fuji/Merrill/Salomon
Fed Home Loan Mtg Corp(f)	250	6.25#	100.00R	Nov 1999	0.15R	-	Goldman Sachs Intl
Crédit Local de France	100	6.125	99.75R	Dec 2001	0.25R	+11(6½Oct01)	BIL/Generale Bank
GECC(e)	100	6.25	100.25R	Nov 2001	0.25R	+8(6¼%-01)	SBC Warburg
YEN							
DePfa Finance★	25bn	2.00	100.15	Dec 2002	0.25	-	Daiwa Europe
SWISS FRANCS							
DSL Bank	150	3.25	101.55	Jan 2002	2.00	-	Credit Suisse
STERLING							
Anglian Water(c)	150	8.25	99.769R	Nov 2006	0.35R	+52(7½%-06)	BZW/JP Morgan
Salomon(d)‡	150	(d1)	99.564R	Nov 2001	0.30R	-	Salomon Brothers Intl
NEW ZEALAND DOLLARS							
Commerzbank	100	7.25	101.35	Nov 1999	1.50	-	Toronto-Dominion Bank
World Bank	100	7.28	100.755	Dec 1997	1.00	-	CIBC/Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Norwest Auto Trust. Monthly coupons. Expected maturities. a1) 3-mth Libor -7bp. a2) Class B: $34.6m, 6.30%, 99.9862, 15/5/03. b) Callable from 13/11/98 at par. c) Standard water industry restructuring event risk. d) Callable from Nov 99 at par. d1) 3-mth Libor +50bp. e) $250m launched 31/10/96 was increased to $350m. f) Callable from Nov 97 at par.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	96.9380	+0.620	7.19	7.37	7.77
Austria		5.875	07/06	98.1300	+0.340	5.99	6.09	6.04
Belgium		7.000	05/06	106.7000	+0.090	6.05	6.13	6.24
Canada *		7.000	12/06	105.9500	+0.050	6.20	6.44	7.14
Denmark		8.000	03/06	107.9200	+0.320	8.82	8.88	8.94
France	BTAN	5.500	10/01	102.9212	+0.090	4.84	4.98	5.23
	OAT	6.500	10/06	104.6100	+0.170	5.86	6.00	6.11
Germany Bund		6.250	04/06	102.3600	+0.130	5.91	6.02	6.08
Ireland		8.000	08/06	107.8600	+0.530	6.86	6.93	6.99
Italy		9.500	02/06	110.9700	+0.310	7.82†	8.13	8.47
Japan	No 140	6.600	06/01	122.4600	-0.560	1.48	1.50	1.82
	No 182	3.000	09/05	103.6570	-0.500	2.50	2.55	2.87
Netherlands		8.500	06/06	119.2700	+0.240	5.83	5.94	5.97
Portugal		9.500	02/06	114.0000	+0.430	7.27	7.62	7.94
Spain		8.800	04/06	108.1800	+0.590	7.53	7.68	7.85
Sweden		8.000	02/05	92.2157	+0.170	7.27	7.30	7.39
UK Gilts		8.000	12/00	102-20	-3/32	7.15	7.08	6.93
		7.500	12/06	99-08	+2/32	7.61	7.59	7.67
		9.000	10/08	109-26	+2/32	7.72	7.70	7.79
US Treasury *		6.500	10/06	101-24	+2/32	6.26	6.36	6.61
		6.750	08/26	102-04	+1/32	6.58	6.69	6.87
ECU (French Govt)		7.000	04/06	105.0000	+0.170	6.27	6.41	6.41

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	5.74
Broker loan rate	7	Three month	5.17	Three year	5.89
Fed.funds	5¼	Six month	5.25	Five year	6.04
Fed.funds at intervention	-	One year	5.41	10-year	6.26
				30-year	6.58

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.40	127.38	+0.42	127.54	127.18	129,033	168,311
Mar	126.36	127.36	+0.44	127.42	127.20	7,511	41,778
Jun	126.12	126.12	+0.44	126.14	126.12	52	7,028

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
124	-	-	-	0.02	0.08	0.36
125	2.36	-	-	0.06	-	0.52
126	1.46	-	2.08	0.14	0.37	0.81
127	0.78	0.98	1.46	0.37	-	1.18
128	0.26	0.55	0.95	-	-	-

Est. vol. total, Calls 40,823 Puts 25,116. Previous day's open int., Calls 177,658 Puts 155,150

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	100.40	100.33	+0.21	100.47	100.15	207418	268107
Mar	99.39	99.33	+0.21	99.42	99.16	1153	18788

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
10000	0.62	0.42	0.64	0.79	0.29	1.09	1.31	1.48
10050	0.34	0.26	0.46	0.61	0.51	1.43	1.68	1.76
10100	0.17	0.15	0.33	0.46	0.84	1.82	2.00	2.13

Est. vol. total, Calls 40084 Puts 21616. Previous day's open int., Calls 196806 Puts 195483

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.90	125.70	+0.10	126.43	125.27	96355	96800
Mar	125.10	124.91	+0.11	125.20	124.60	714	4357

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
12550	1.05	1.95	0.85	2.44
12600	0.80	1.62	1.10	2.71
12650	0.59	1.42	1.39	3.01

Est. vol. total, Calls 18047 Puts 6214. Previous day's open int., Calls 201906 Puts 175764

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109.18	109.02	+0.27	109.53	108.66	156,208	70,375
Mar	-	108.36	-	-	-	45	719

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109-20	109-12	+0-02	109-27	109-25	112993	145286
Mar	-	108-18	+0-02	-	-	0	2237

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
109	0-67	0-59	1-18	1-35	0-33	1-23	1-47	1-63
110	0-26	0-35	0-59	1-09	1-02	1-63	2-22	2-36
111	0-09	0-18	0-38	0-50	1-49	2-47	3-02	3-14

Est. vol. total, Calls 3117 Puts 2425. Previous day's open int., Calls 46995 Puts 26802

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.66	94.72	+0.46	94.78	94.52	1,230	8,238
Mar	-	94.28	+0.46	-	-	-	28

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	113-29	113-17	-0-08	114-15	113-17	359,290	392,181
Mar	113-11	113-05	-0-08	114-01	113-04	1,531	29,591
Jun	112-22	112-21	-0-05	112-22	112-21	3,033	5,865

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	125.80	-	-	125.80	125.55	3081	n/a
Mar	124.78	-	-	124.92	124.72	1087	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

UK Indices

Price Indices UK Gilts	Wed Nov 6	Day's change %	Tue Nov 5	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	121.13	-0.15	121.55	2.26	5.27
2 5-15 years (19)	149.40	0.03	149.36	3.42	9.09
3 Over 15 years (9)	168.91	0.12	168.72	4.01	9.83
4 Irredeemables (6)	192.52	0.49	191.58	4.92	6.83
5 All stocks (54)	143.83	0.00	143.93	3.11	9.03

	Low coupon yield Nov 6	Nov 5	Yr. ago	Medium coupon yield Nov 6	Nov 5	Yr. ago	High coupon yield Nov 6	Nov 5	Yr. ago
5 yrs	7.23	7.21	7.38	7.30	7.26	7.39	7.35	7.31	7.48
15 yrs	7.82	7.85	8.00	7.82	7.83	8.05	7.85	7.85	8.11
20 yrs	7.91	7.94	8.06	7.88	7.89	8.09	7.91	7.92	8.15
Irred.†	7.96	8.00	8.13						

Index-linked	Wed Nov 6	Day's change %	Tue Nov 5	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	202.62	0.07	202.49	0.57	5.26
7 Over 5 years (10)	194.10	0.21	193.69	1.52	4.17
8 All stocks (12)	193.95	0.19	193.57	1.41	4.21

	Inflation 5% Nov 6	Nov 5	Yr. ago	Inflation 10% Nov 6	Nov 5	Yr. ago
Up to 5 yrs	3.18	3.20	3.12	2.55	2.55	2.62
Over 5 yrs	3.58	3.61	3.63	3.40	3.41	3.44

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 6	Nov 5	Nov 4	Nov 1	Oct 31	Yr ago	High*	Low*
Govt. Secs. (UK)	93.80	93.76	93.37	93.66	93.89	94.14	96.34	91.59
Fixed Interest	115.38	115.38	115.29	115.32	115.35	112.95	116.45	110.74

Gilt Edged Activity Indices

	Nov 5	Nov 4	Nov 1	Oct 31	Oct 30
Gilt Edged bargains	132.9	129.1	100.9	86.3	88.3
5-day average	100.5	100.0	98.6	96.0	98.5

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 6

Issued	Bid	Offer	Chg.	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

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CURRENCIES AND MONEY

Dollar fails to gain on US election results

MARKETS REPORT

By Simon Kuper

The US election results failed to buoy the dollar, even though most market analysts had predicted that the American currency would benefit from President Clinton's re-election and the Republicans' continued grip on Congress.

The dollar did rise in overnight Asian trading, gaining a pfennig against the D-Mark, but it lost the advances to close in London unchanged against the German currency and Y0.2 weaker against the yen. Currency strategists blamed profit taking and fears that with the election over, Washington might relax its support for a strong dollar. Sterling's weakness against the D-Mark also held the US currency back.

Sterling was the big mover on the foreign exchanges. A Bank of England inflation report that appeared in the morning wiped out about 2.5 pfennigs of gains the pound had made in Asian trading against the D-Mark.

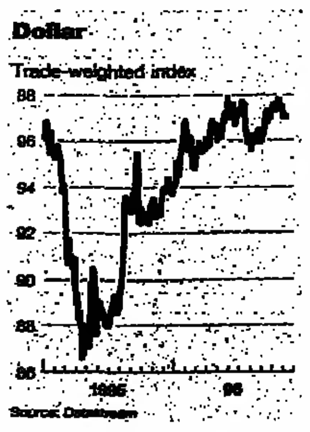
The report called sterling's strength a temporary phenomenon that did not justify a looser interest rate policy, and said that the UK was in danger of missing its target of keeping inflation below 2.5 per cent in two years' time.

The pound closed seven tenths of a pfennig down against the D-Mark at DM2.489 in London yesterday. It fell two fifths of a cent against the dollar to $1.642.

The D-Mark hardly moved against most other European currencies despite a European Monetary Institute report which said that many countries, including Germany, France and Italy, had much to do to meet the criteria for joining the single European currency. Most countries do not now meet the criteria, the report said. The market discounted a European Commission report that was more bullish about the prospects for monetary union, because it expects the Commission to be bullish on EMU.

As expected, the Reserve Bank of Australia cut its overnight cash rate by 50 basis points to 6.50 per cent. The Australian dollar firmed on the news, closing in London four fifths of a cent higher against the US dollar at A$1.2618.

■ If the dollar made no gains after the US election, it was mainly because the currency markets had already discounted the results. Mr Bob Lynch, senior currency analyst at MMS International in New York, said yesterday: "There were few surprises last night."



The markets' dream scenario has come true: a second Clinton term and a Republican Congress that will keep cutting the budget deficit. But currency strategists now worry that the White House will end its support for the strong dollar – even if Mr Robert Rubin, the treasury secretary who has been the policy's main proponent, stays in office into Mr Clinton's next term.

The US trade deficit is growing and Japan's financial problems now appear less acute than they did last year, when the strong-dollar policy was put in place. Mr Nick Parsons, currency analyst at Paribas Capital Markets in Paris, said yesterday that the strong currency suited President Clinton before the election because it buoyed US asset markets and suggested an international vote of confidence in his economic policies. "Now the Administration has less of a need for a strong dollar," Mr Parsons said. Strategists said Washington was more likely to shift slowly to a new dollar policy than to try to weaken the currency overnight.

■ There is a new twist to the spat between France and Italy over the correct central rate for the lira in the European exchange rate mechanism, which Italy is expected to join later this month. France has long been pressing for a rate of about L950 to the D-Mark, while Italy seeks a weaker lira at more than L1,000, arguing that this is about the present market level.

Paris is now thought to be angry about the Italian central bank's reported selling of lira in recent days. Many French officials are thought to believe that the interventions have created an artificial rate.

The lira's central rate in the ERM must be agreed unanimously by the European Union's monetary committee.

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■ Pound in New York

Nov 6	—Latest—	— Prev. close —
£ spot	1.6425	1.6475
1 mth	1.6414	1.6463
3 mth	1.6391	1.6442
1 yr	1.6265	1.6320

■ OTHER CURRENCIES

Nov 5	£	$
Czech	44.1850 - 44.2622	26.9220 - 26.9530
Hungary	253.658 - 255.904	153.280 - 155.830
Iran	4926.80 - 4923.60	3000.00 - 3009.00
Kuwait	0.4912 - 0.4917	0.2993 - 0.2994
Poland	4.5142 - 4.5200	2.8115 - 2.8175
Russia	8883.93 - 8892.89	5474.00 - 5478.00
U.A.E.	6.0246 - 6.0334	3.6710 - 3.6740

POUND SPOT FORWARD AGAINST THE POUND

Nov 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5164	-0.0483	068 - 259	17.6821	17.4880	17.4729	3.0	17.4164	2.5	-	-	104.8
Belgium	(BFr)	51.2871	-0.1855	104 - 237	51.8230	51.2070	51.1421	2.9	50.8771	3.0	49.6621	3.1	105.9
Denmark	(DKr)	9.5654	-0.0244	606 - 699	9.6582	9.5544	9.5488	2.5	9.5049	2.5	9.326	2.5	107.1
Finland	(FM)	7.4855	-0.0176	785 - 922	7.5840	7.4700	-	-	-	-	-	-	84.5
France	(FFr)	8.4087	-0.0288	049 - 125	8.4698	8.4047	8.3897	2.7	8.3506	2.8	8.1723	2.8	108.8
Germany	(DM)	2.4894	-0.0068	882 - 906	2.5160	2.4858	2.4832	3.0	2.4705	3.0	2.4141	3.0	107.9
Greece	(Dr)	391.890	-0.788	680 - 092	396.172	391.316	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9998	-0.0014	990 - 006	1.0023	0.9978	0.9985	0.4	0.9975	0.5	0.9909	0.8	100.8
Italy	(L)	2487.07	-7.24	457 - 956	2521.67	2483.59	2500.87	-1.8	2508.37	-1.8	2512.87	-0.6	77.0
Luxembourg	(LFr)	51.2871	-0.1855	104 - 237	51.8230	51.2070	51.1421	2.8	50.8771	3.0	49.6621	3.1	105.9
Netherlands	(Fl)	2.7913	-0.0085	900 - 926	2.8281	2.7888	2.7841	3.1	2.7691	3.2	2.7044	3.1	106.0
Norway	(NKr)	10.4776	-0.0122	717 - 835	10.5154	10.4498	10.4651	1.4	10.4451	1.2	10.3401	1.3	95.4
Portugal	(Es)	251.598	-0.983	481 - 716	254.573	251.371	251.794	-0.8	252.184	-0.9	-	-	95.8
Spain	(Pta)	209.456	-0.832	352 - 561	211.649	209.264	209.621	-0.9	209.951	-0.8	209.851	-0.2	80.1
Sweden	(SKr)	10.8545	-0.0408	434 - 656	10.9586	10.8425	10.8633	0.1	10.8606	0.1	10.8383	0.1	88.6
Switzerland	(SFr)	2.0958	-0.0037	943 - 973	2.1189	2.0910	2.0882	4.4	2.0732	4.3	2.0066	4.3	108.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	91.1
Ecu	-	1.2984	-0.0025	975 - 992	1.3091	1.2972	1.2966	1.8	1.292	2.0	1.2706	2.1	-
SDR†	-	1.141002	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6415	-0.004	409 - 420	1.6492	1.6388	-	-	-	-	-	-	-
Brazil	(R$)	1.6871	-0.0041	863 - 879	1.6949	1.6844	-	-	-	-	-	-	-
Canada	(C$)	2.1846	-0.0109	838 - 859	2.1986	2.1836	2.1797	2.8	2.1699	2.9	2.1099	3.4	86.6
Mexico	(New Peso)	13.0263	-0.0477	184 - 341	13.0661	12.9809	-	-	-	-	-	-	-
USA	($)	1.6417	-0.0041	412 - 422	1.6498	1.6390	1.6408	0.6	1.6384	0.6	1.6258	1.0	97.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0714	-0.0191	701 - 727	2.0925	2.0686	2.0727	-0.8	2.0734	-0.4	2.073	-0.1	94.0
Hong Kong	(HK$)	12.6948	-0.031	901 - 995	12.7538	12.6744	12.6875	0.7	12.6737	0.7	12.609	0.7	-
India	(Rs)	58.5267	-0.2102	805 - 729	58.9290	58.1740	-	-	-	-	-	-	-
Israel	(Shk)	5.3276	-0.0191	206 - 344	5.3690	5.3135	-	-	-	-	-	-	-
Japan	(Y)	186.834	-0.864	736 - 932	188.970	186.600	185.944	5.7	184.094	5.9	176.054	5.8	127.8
Malaysia	(M$)	4.1425	-0.012	404 - 446	4.1674	4.1380	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3043	-0.0116	025 - 061	2.3248	2.3007	2.311	-3.5	2.3205	-2.8	2.3416	-1.6	112.7
Philippines	(Peso)	43.0947	-0.1145	159 - 734	43.2338	43.0150	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1572	-0.0152	550 - 594	6.1864	6.1472	-	-	-	-	-	-	-
Singapore	(S$)	2.3124	-0.0049	108 - 139	2.3258	2.3092	-	-	-	-	-	-	-
South Africa	(R)	7.7324	-0.0084	259 - 389	7.7748	7.7099	-	-	-	-	-	-	-
South Korea	(Won)	1355.22	-5.4	399 - 646	1370.57	1352.37	-	-	-	-	-	-	-
Taiwan	(T$)	45.1678	-0.0703	330 - 426	45.3992	45.1325	-	-	-	-	-	-	-
Thailand	(Bt)	41.8659	-0.1131	490 - 827	42.1080	41.8060	-	-	-	-	-	-	-

† Rates for Nov 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6697	-0.0031	671 - 722	10.7360	10.6460	10.65	2.2	10.6097	2.2	10.4147	2.4	104.7
Belgium	(BFr)	31.2280	-0.042	080 - 530	31.4350	31.1920	31.185	2.3	31.0405	2.4	30.5005	2.3	105.6
Denmark	(DKr)	5.8265	-0.0005	235 - 275	5.8625	5.8182	5.8176	1.8	5.7992	1.9	5.7175	1.8	106.4
Finland	(FM)	4.5596	+0.0004	569 - 623	4.5882	4.5509	4.5508	2.3	4.532	2.4	4.4488	2.4	84.0
France	(FFr)	5.1220	-0.0038	212 - 227	5.1541	5.1180	5.1136	2.0	5.0957	2.1	5.02	2.0	108.3
Germany	(DM)	1.5164	-0.0004	161 - 166	1.5267	1.5142	1.5135	2.3	1.5075	2.3	1.4828	2.2	107.4
Greece	(Dr)	238.710	+0.11	660 - 760	240.880	238.140	240.285	-7.8	242.835	-6.9	253.88	-6.3	57.1
Ireland	(I£)	1.6437	-0.0018	428 - 445	1.6485	1.6400	1.6432	0.3	1.6429	0.2	1.64	0.2	-
Italy	(L)	1521.03	-0.85	997 - 208	1529.21	1519.95	1524.2	-2.5	1530.83	-2.5	1543.68	-1.5	78.5
Luxembourg	(LFr)	31.2280	-0.042	030 - 530	31.4350	31.1920	31.168	2.3	31.0405	2.4	30.5005	2.3	105.6
Netherlands	(Fl)	1.7003	-0.0008	000 - 005	1.7168	1.6981	1.6965	2.7	1.6885	2.8	1.6559	2.6	100.8
Norway	(NKr)	6.3822	+0.0063	805 - 838	6.4300	6.3655	6.3784	0.7	6.3728	0.6	6.3472	0.5	99.0
Portugal	(Es)	153.255	-0.07	230 - 280	154.480	152.750	153.46	-1.6	153.765	-1.3	154.53	-0.8	95.8
Spain	(Pta)	127.585	-0.07	560 - 610	128.350	127.490	127.785	-1.7	128.025	-1.4	128.69	-0.8	79.8
Sweden	(SKr)	6.6116	-0.0065	070 - 165	6.6489	6.6066	6.609	0.5	6.5991	0.8	6.5518	0.9	89.2
Switzerland	(SFr)	1.2766	+0.0008	761 - 771	1.2850	1.2730	1.2728	3.8	1.265	3.7	1.2321	3.5	107.8
UK	(£)	1.6417	-0.004	412 - 422	1.6496	1.6390	1.6408	0.6	1.6384	0.6	1.6258	1.0	91.2
Ecu	-	1.2644	-0.0007	640 - 648	1.2664	1.2584	1.2657	-1.3	1.2669	-1.4	1.2654	-1.7	-
SDR†	-	0.69051	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0277	+0.0001	276 - 278	1.0270	1.0273	-	-	-	-	-	-	-
Canada	(C$)	1.3309	-0.0032	306 - 311	1.3326	1.3297	1.3285	2.1	1.3235	2.2	1.296	2.6	86.0
Mexico	(New Peso)	7.9340	+0.0485	310 - 370	7.9800	7.9250	8.062	-17.8	8.3185	-19.4	9.176	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2616	-0.0084	614 - 621	1.2635	1.2613	1.2633	-1.4	1.2652	-1.1	1.2707	-0.7	95.1
Hong Kong	(HK$)	7.7327	+0.0002	322 - 332	7.7336	7.7313	7.7326	0.0	7.7332	0.0	7.7442	-0.1	-
India	(Rs)	35.6500	-0.04	500 - 500	35.8800	35.4370	35.865	-7.2	36.325	-7.5	-	-	-
Israel	(Shk)	3.2452	-0.0052	420 - 483	3.2558	3.2420	-	-	-	-	-	-	-
Japan	(Y)	113.805	-0.245	780 - 830	114.670	113.660	113.35	5.0	112.325	5.2	106.125	5.0	128.0
Malaysia	(M$)	2.5233	-0.0011	228 - 238	2.5260	2.5218	2.5261	-1.4	2.5315	-1.3	2.5528	-1.2	-
New Zealand	(NZ$)	1.4036	-0.0034	029 - 043	1.4084	1.4027	1.4091	-4.7	1.4134	-2.8	1.4449	-2.9	-
Philippines	(Peso)	26.2500	-0.005	100 - 900	26.2900	26.2100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7506	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4085	+0.0004	080 - 090	1.4100	1.4075	1.4063	1.8	1.4016	1.9	1.3805	2.0	-
South Africa	(R)	4.7100	+0.0066	075 - 125	4.7175	4.6975	4.7507	-10.4	4.8257	-9.8	5.1405	-9.1	-
South Korea	(Won)	825.500	-1.25	000 - 000	831.000	824.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5250	+0.025	000 - 500	27.5540	27.4940	27.5251	0.0	27.5253	0.0	-	-	-
Thailand	(Bt)	25.5015	-0.008	990 - 040	25.5380	25.4960	25.5915	-4.2	25.789	-4.0	26.3965	-3.5	-

† SDR rate per $ for Nov 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 5: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

November 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3	3 1/16	3 1/8	3¼	5.00	2.50	-
week ago	3 1/16	3	3⅛	3⅛	3¼	6.00	2.50	-
France	3⅜	3 11/32	3 13/32	3½	3 19/32	3.20	-	4.75
week ago	3⅜	3 11/32	3⅜	3 15/32	3⅝	3.35	-	4.75
Germany	3 1/32	3 1/16	3⅛	3 3/16	3⅜	4.50	2.50	3.00
week ago	3 11/32	3 1/16	3⅛	3⅛	6¼	4.50	2.50	3.00
Ireland	5 1/16	5⅝	5 11/16	5¾	5⅞	-	-	6.25
week ago	5½	5⅝	5⅝	5 23/32	5 15/16	-	-	6.25
Italy	7 13/16	7 13/16	7¼	5¼	6 15/16	9.00	7.50	6.05
week ago	8 1/16	7 13/16	7 13/16	7 1/16	7⅜	9.00	7.50	8.38
Netherlands	2 23/32	3	2 23/32	3	3⅜	-	3.00	3.30
week ago	2 23/32	3	3	3 1/16	3 1/16	-	3.00	3.30
Switzerland	1⅝	1 13/16	1 13/16	3 1/16	2 3/16	-	1.00	-
week ago	1⅝	1 13/16	1 13/16	1 13/16	1 15/16	-	1.00	-
US	5 13/32	5 15/32	5½	5 19/32	5 23/32	-	5.00	-
week ago	5⅜	5 15/32	5 1/16	5 19/32	5¾	-	5.00	-
Japan	½	15/32	15/32	15/32	½	-	0.50	-
week ago	½	15/32	15/32	15/32	17/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5½	5 19/32	5 23/32	-	-	-
week ago	-	5⅜	5½	5⅝	5 27/32	-	-	-
US Dollar CDs	-	5.11	5.06	5.12	5.22	-	-	-
week ago	-	5.11	5.07	5.12	5.24	-	-	-
ECU Linked Ds	-	4½	4⅛	4 3/16	4 3/16	-	-	-
week ago	-	4½	4 3/16	4 3/16	4½	-	-	-
SDR Linked Ds	-	3 1/16	3 1/16	3 11/32	3½	-	-	-
week ago	-	3 1/16	3 1/16	3⅜	3 15/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2 31/32	3⅛ - 2 31/32	3 3/16 - 6	3 3/16 - 3 1/16	3 3/16 - 3 1/32	3⅜ - 3 5/32
Danish Krone	3 13/32 - 3¼	3⅝ - 3½	3⅝ - 3½	3 11/16 - 3⅜	3 13/32 - 3 11/32	3 13/32 - 3¼
D-Mark	3 1/32 - 2 29/32	3 1/32 - 3 1/32	3 1/32 - 3	3 7/32 - 3 3/32	3¼ - 3	3⅜ - 3⅛
Dutch Guilder	2 13/16 - 2 11/16	2 13/16 - 2 11/16	2 29/32 - 2 13/16	3 - 2 29/32	3 3/32 - 3	3¼ - 3⅛
French Franc	3⅜ - 3¼	3⅜ - 3¼	3 13/32 - 3 5/16	3 7/16 - 3 11/32	3 13/32 - 3 13/32	3 23/32 - 3 9/16
Portuguese Esc.	6 31/32 - 6 27/32	6 31/32 - 6 27/32	6 31/32 - 6 27/32	6 27/32 - 6 11/16	6¾ - 6 21/32	6 13/16 - 6 11/16
Spanish Peseta	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 13/16 - 6 13/16	6 13/16 - 6 11/16	6¾ - 6⅝	6 11/16 - 5 7/16
Sterling	6⅛ - 6	6 1/16 - 5 15/16	6 3/32 - 6 3/32	6 5/32 - 6 3/32	6 7/16 - 6⅜	6 11/16 - 6 11/16
Swiss Franc	1 13/16 - 1 11/16	1⅞ - 1¾	1⅞ - 1¾	2 1/16 - 1 15/16	2⅛ - 2	2 3/16 - 2 1/16
Can. Dollar	3 3/16 - 3	3 3/16 - 3	3⅛ - 6	3 3/16 - 3 1/32	3¼ - 3⅛	3 9/16 - 3 7/16
US Dollar	5¼ - 5⅛	5¼ - 5⅛	5 5/16 - 5 3/16	5½ - 5⅜	5 19/32 - 5 17/32	5⅝ - 5 13/32
Italian Lira	7⅞ - 7¾	7 13/16 - 7 11/16	7 13/16 - 7 13/16	7⅝ - 7½	7 13/16 - 7 5/16	7 3/32 - 6 31/32
Yen	9/16 - 7/16	7/16 - 5/16	½ - ⅜	½ - ⅜	15/32 - 13/32	15/32 - 15/32
Asian $Sing	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3 7/16 - 3 5/16	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.47	96.47	+0.01	96.49	96.46	11,797	51,334
Mar	96.42	96.40	+0.01	96.43	96.38	12,821	54,521
Jun	95.38	96.36	+0.02	96.40	96.35	7,201	29,525

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.81	96.79	-0.01	96.82	96.79	17471	210361
Mar	96.81	96.76	-	96.82	96.77	22878	191177
Jun	96.68	96.64	+0.01	96.68	96.61	34476	165203
Sep	96.45	96.44	+0.03	96.48	96.40	40688	154724

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.76	92.73	-0.01	92.78	92.67	14676	68869
Mar	93.37	93.32	-0.04	93.41	93.25	20151	59660
Jun	93.65	93.58	-0.00	93.68	93.51	7516	35977
Sep	93.73	93.64	-0.02	93.73	93.59	1916	22596

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.90	97.93	+0.05	97.95	67.85	5482	29282
Mar	97.84	67.86	+0.02	07.90	97.80	9796	31004
Jun	97.66	67.67	+0.03	97.69	97.58	5337	16269
Sep	97.44	97.43	+0.03	97.46	67.41	726	6039

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.44	99.44	-	99.44	99.44	4	n/a
Mar	99.36	99.35	-0.03	99.36	99.35	605	n/a
Jun	99.22	99.21	-0.06	99.22	99.21	805	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.85	95.83	-	95.85	95.61	703	7592
Mar	95.87	95.84	+0.01	95.87	95.80	1147	5677
Jun	95.82	95.79	+0.02	95.82	95.75	893	3536
Sep	96.68	95.69	+0.03	95.72	95.65	293	3184

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.64	16.38	4.850	1.947	4866	5.438	20.42	490.3	408.0	21.14	4.084	1.949	4.258	3.200	364.0	2.529
Denmark	(DKr)	53.65	10	8.791	2.602	1.044	2611	2.916	10.96	263.0	218.9	11.34	2.191	1.045	2.284	1.717	195.3	1.357
France	(FFr)	61.03	11.37	10	2.960	1.188	2969	3.319	12.46	299.2	249.0	12.90	2.493	1.189	2.598	1.953	222.1	1.544
Germany	(DM)	20.62	3.843	3.378	1	0.401	1003	1.121	4.211	101.1	84.13	4.359	0.842	0.402	0.878	0.660	75.05	0.521
Ireland	(I£)	51.37	9.575	8.417	2.491	1	2499	2.794	10.49	251.9	209.6	10.86	2.098	1.001	2.187	1.644	187.0	1.299
Italy	(L)	2.055	0.383	0.337	0.100	0.040	100.	0.112	0.420	10.08	8.386	0.435	0.084	0.040	0.088	0.066	7.481	0.052
Netherlands	(Fl)	19.39	3.427	3.013	0.892	0.358	894.7	1	3.755	90.15	75.03	3.867	0.751	0.358	0.783	0.588	66.93	0.465
Norway	(NKr)	48.97	9.127	8.024	2.375	0.953	2383	2.663	10	240.1	199.8	10.35	2.000	0.954	2.085	1.567	178.2	1.239
Portugal	(Es)	20.40	3.802	3.342	0.989	0.397	992.4	1.109	4.165	100.	83.23	4.312	0.833	0.397	0.868	0.653	74.24	0.516
Spain	(Pta)	24.51	4.568	4.016	1.189	0.477	1192	1.333	5.006	120.2	100.	5.181	1.001	0.478	1.043	0.794	89.21	0.620
Sweden	(SKr)	47.30	8.816	7.750	2.294	0.921	2301	2.572	6.659	231.9	193.0	10	1.932	0.922	2.014	1.513	172.2	1.196
Switzerland	(SFr)	24.48	4.563	4.012	1.188	0.477	1161	1.332	5.000	120.0	99.90	5.177	1	0.477	1.042	0.783	89.12	0.616
UK	(£)	51.32	9.565	8.409	2.489	0.999	2497	2.791	10.48	251.6	209.4	10.85	2.098	1	2.185	1.642	186.8	1.298
Canada	(C$)	23.49	4.378	3.849	1.139	0.457	1143	1.277	4.796	115.1	96.94	4.966	0.959	0.458	1	0.751	85.49	0.594
US	($)	31.25	5.825	5.121	1.516	0.608	1521	1.700	6.382	153.2	127.5	6.608	1.276	0.609	1.331	1	113.6	0.790
Japan	(Y)	27.47	5.120	4.502	1.332	0.535	1337	1.494	5.610	134.7	112.1	5.808	1.122	0.535	1.170	0.879	100.	0.695
Ecu		39.54	7.369	6.478	1.916	0.770	1924	2.150	8.074	193.8	161.3	8.359	1.615	0.770	1.683	1.265	143.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6597	0.6597	-0.0007	0.6622	0.6566	21,837	58,608
Mar	0.6641	0.6640	-0.0002	0.6650	0.6639	135	4,072
Jun	0.6682	0.6682	+0.0002	0.6682	0.6680	106	2,477

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8808	0.8813	+0.0001	0.8838	0.8767	12,027	72,009
Mar	0.8924	0.8932	+0.0008	0.8948	0.8900	153	3,196
Jun	0.9050	0.9052	+0.0015	0.9052	0.9050	6	504

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7863	0.7834	-0.0035	0.7885	0.7811	17,412	45,400
Mar	0.7927	0.7903	-0.0031	0.7940	0.7908	211	3,381
Jun	-	0.8022	-	-	-	6	616

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6454	1.6396	-0.0058	1.6482	1.6374	10,182	58,626
Mar	1.6360	1.6360	-0.0050	1.6370	1.6350	165	899
Jun	1.6330	1.6340	-0.0040	1.6340	1.6330	154	157

EMS EUROPEAN CURRENCY UNIT RATES

Nov 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.773405	+0.001449	-2.37	4.23	18
Portugal	195.792	194.696	-0.363	-0.46	2.22	3
Spain	162.493	162.246	-0.107	-0.15	1.91	1
Finland	5.80661	5.79849	+0.00454	-0.14	1.90	1
Netherlands	2.15214	2.16261	-0.00024	0.50	1.25	-4
Belgium	39.3960	39.7329	-0.0081	0.86	0.89	-6
Germany	1.91007	1.92838	-0.00061	0.96	0.79	-9
Austria	13.4383	13.5662	-0.0035	0.97	0.77	-7
Denmark	7.28580	7.40743	-0.00374	1.67	0.08	-11
France	6.40608	6.51854	-0.00475	1.76	0.00	-15
NON ERM MEMBERS						
Greece	292.867	303.716	-0.084	3.70	-1.86	-
Italy	2106.15	1934.72	-2.51	-8.14	10.77	-
UK	0.786652	0.774110	+0.002717	-1.59	3.40	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.620	-	-	3.73	0.18	0.87	1.24
1.630	2.11	2.76	3.10	0.41	1.20	1.81
1.640	1.43	2.24	2.53	0.73	1.61	2.04
1.650	0.80	1.59	2.09	1.21	2.11	2.51
1.660	0.53	1.61	1.67	1.83	2.64	3.07

Previous day's vol., Calls 4,378 Puts 5,358. Prev. day's open int., Calls 157,106 Puts 148,287

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.49	94.49	+0.01	94.50	94.48	97,961	459,009
Mar	94.47	94.46	-	94.66	94.45	56,948	368,571
Jun	94.35	94.34	-	94.37	94.33	48,474	287,119

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.01	95.01	+0.01	95.01	95.00	105	3,700
Mar	-	94.95	-	-	-	55	2,525
Jun	-	94.82	-	94.83	-	84	1,469

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9675	0.06	0.07	0.10	0.14	0.02	0.03	0.07	0.11
9700	0	0	0.02	0.04	0.21	0.21	0.24	0.26
9725	0	0	0	0.01	0.46	0.46	0.47	0.48

Est. vol. total, Calls 24413 Puts 11546. Previous day's open int., Calls 436157 Puts 314562

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9800	0.11	0.20	0.22	0.16	0.34	0.55
9825	0.03	0.10	0.12	0.35	0.46	0.70

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4238 Puts 2150

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9250	0.28	0.86	1.16	0.00	0.06	0.08
9275	0.12	0.67	0.94	0.14	0.10	0.11
9300	0.04	0.47	0.75	0.31	0.15	0.17

Est. vol. total, Calls 2853 Puts 2186. Previous day's open int., Calls 123495 Puts 71547

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	5.75
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	6.00	* In administration	
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	5.75		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.71	93.64	-0.05	93.71	93.63	15359	97710
Mar	93.47	93.37	-0.07	93.46	93.33	34755	100316
Jun	93.19	93.08	-0.08	93.21	93.03	28659	100255
Sep	92.97	92.88	-0.00	92.98	92.81	13754	80110
Dec	92.80	92.73	-0.00	92.82	92.65	4844	44935

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.17	0.12	0.12	0.03	0.25	0.54
9375	0.02	0.04	0.06	0.13	0.42	0.73
9400	0	0.01	0.03	0.36	0.64	0.95

Est. vol. total, Calls 12737 Puts 3575. Previous day's open int., Calls 185653 Puts 148747

LONDON MONEY RATES

Nov 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅜ - 6⅛
Sterling CDs	-	-	6 - 5 29/32	6 - 5 29/32	6 1/16 - 6	6 3/16 - 6⅛
Treasury Bills	-	-	5 29/32 - 5⅞	5⅞ - 5 13/16	-	-
Bank Bills	-	-	5 15/16 - 5⅞	5 15/16 - 5⅞	6 - 5 15/16	-
Local authority deps.	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅛ - 6	6¼ - 6⅛
Discount Market deps	6¼ - 5	6¼ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Nov 1, 5.8882pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.28pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Scheme IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

COMMODITIES AND AGRICULTURE

Burma returns to the rice export market

By Ted Bardacke in Rangoon

After cancelling contracts to export 500,000 tonnes of rice earlier this year, Burma has re-entered the world rice export market, shipping 20,000 tonnes in August under new contracts and expecting to ship 150,000 tonnes in the first quarter of next year, traders said.

Burma, which maintains a government monopoly on rice exports, is unlikely to get a good price for its new shipments as traders have lost some confidence in the country's ability to honour contracts after the debacle of 18 months of unfulfilled contracts, the traders said.

The August contracts are the first since the government imposed a moratorium on new rice exports in February, 1995, during a dramatic and politically dangerous rise in domestic prices.

The traders added that although the stocks to export the 150,000 tonnes would likely be available by January, decisions about rice export policy are taken at such a high level in the military regime that the country could lose out in the low quality rice market to Vietnam, which allows some private traders to move rice into the world market.

Rice exports are the Burmese government's main source of foreign exchange earnings, accounting for half of government exports of $400m in 1994-95. While the domestic rice market has been liberalised, most of the rice for export is procured at between one-fifth and one-half of the domestic market price through a "paddy tax" of between 6 and 14 baskets (one basket equals 20.87kg) per acre. The World Bank says these price distortions lower Burma's rice yield per acre by 10 per cent.

Planting in the Mandalay region of Burma, once considered the rice bowl of Asia

With the country following a strict policy of limiting hardwood exports and said to be facing an acute foreign exchange shortage, the military regime has been banking on increased rice exports to pay for key government sector imports such as fuel and arms.

If the 150,000 tonnes of rice exports materialise, it would bring the total amount of rice shipped in fiscal 1996-97 to about 300,000 tonnes. This is slightly less than fiscal 1995-96 exports of 350,000 tonnes and a big drop from the more than 1m tonnes of exports in 1994-95, which was the largest amount exported since socialism was introduced in 1962 and a four-fold increase from the 261,000 tonnes shipped in 1993-94.

After the success of the 1994-95 season, agriculture officials had hoped to export 1.5m tonnes in 1995-96 and the country's five-year development plan called for 3m tonnes of exports by 2000-01, equalling the country's historic high reached in colonial Burma of the 1920s when it was considered the rice bowl of Asia.

COMMODITIES NEWS DIGEST

Russian diamond deal faces delay

Completion of a new diamond marketing deal between Russia and the producers' cartel organised by De Beers of South Africa seems likely to be further delayed. De Beers' Central Selling Organisation, which controls about 80 per cent of world trade in rough, or uncut, diamonds, has been negotiating with Almazy Rossii Sakha, the biggest Russian producer. However, ARS has been accused by Russia's finance ministry of serious financial violations and fined $380m. Mr Tim Capon, a De Beers director, said yesterday: "If ARS is distracted by government investigations, it could lead to more delays."

De Beers' contract with Russia ran out in December, but a memorandum of understanding about a new three-year deal was signed in February. Mr Capon said a final draft had been making the rounds of the relevant ministries and was nearing final governmental approval.

Kenneth Gooding

Indian crude oil output to fall

India's crude oil production is expected to drop by 2m tonnes to 33.72m for the 1996-97 year, the Indian government said yesterday. "The decline in output is due to erratic behaviour of certain oil fields in the country." Mr T. R. Baalu, the Indian petroleum minister, told a conference in New Delhi. A very high gas to oil ratio was also contributing to the shortfall, he said.

The government had previously projected domestic crude output rising to 36m tonnes this year from 35.19m tonnes in 1995–95. The drop will mean increased oil imports for India, which imports more than half the oil and petroleum products it consumes annually. Mr Baalu said imports of crude oil and petroleum products leapt by 15 per cent to 47.7m tonnes in the year to March. Domestic demand is increasing by 7 per cent a year.

Mr Baalu estimated demand for petroleum products would climb to 81m tonnes in 1996–97 from 74.7m in 1995–96, and called for increased refining capacity through private investment. *Lisa Vaughan, New Delhi*

BHP project approved

BHP, the Australian resources group, confirmed that it had received final government approvals for the Northwest Territories diamonds project, which will be the first diamond mine in the Lac de Gras region. It said the project now had "full government support", subject only to finalising the necessary water licence and land lease.

BHP owns a 51 per cent of the project, with Canada's Dia Met being the other large shareholder. The aim is to bring the mine into production in the second half of 1998.

● An Feng Steel, the Taiwanese steel group, and Perth-based Kingstream Resources, have been given "broad support" by the Western Australian government for their proposed iron and steel project at Geraldton.

Among the details of the state agreement is a provision for a pipeline licence, which might enable the partners to source gas from the Carnarvon Basin, if a contract cannot be negotiated with the state-owned gas company. They said the only concern raised by the government was the location of the steel mill. *Nikki Tait, Sydney*

Grain futures consolidate

MARKETS REPORT

By Deborah Hargreaves and Robert Corzine

Chicago grain futures started to consolidate yesterday following Tuesday's fall, which knocked 2 per cent off the March futures price for wheat at the Chicago Board of Trade.

Traders covering their short positions pushed wheat futures up three cents and March maize futures up two cents a bushel by mid-session. Soyabean futures shot up six cents a bushel to $6.78 following a rise of two cents on Tuesday.

Soyabeans have been buoyed by a squeeze on supplies, with large grain buyers stopping delivery of 1.7m bushels of beans against the CBOT's November futures contract yesterday to get their hands on the crop.

The market has also been boosted by estimates released by US analysts which put the 1996 US soyabean harvest at 2.3bn bushels – below the 2.4bn bushels expected by the market.

The freight market continued its recent climb, with the Baltic Freight Index up 35 points to 1,393. Freight rates are dominated by strength in shipments of grain from the US Gulf to Japan, and Australian coal being delivered to Japan, South Korea and China.

Oil prices firmed after inventory data from the US showed a surprise fall in distillate stocks. Benchmark Brent Blend for December delivery was quoted at $22.50 a barrel in late London trading, up 31 cents on Tuesday's close.

Fear of a shortage of distillates has been a big factor in recent crude price rises.

Near-term rise forecast in metals

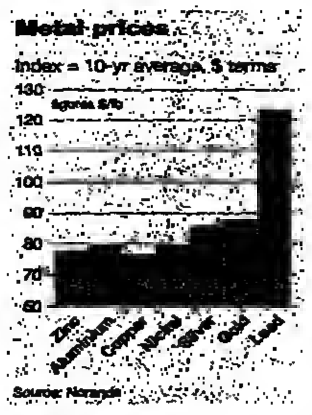
By Kenneth Gooding, Mining Correspondent

Aluminium, nickel and zinc prices are set to rise by 5 to 10 per cent in the near term, according to Noranda, the diversified Canadian natural resources group.

Meanwhile, RTZ-CRA, the world's biggest mining company, has warned metals and minerals producers that they are in danger of overestimating growth in demand for their products.

Mr David Bumstead, Noranda's executive vice-president, told a meeting with investors and analysts in London that the three metals were currently trading at prices well below the average for the past 10 years.

He said copper's price was also well below the average but the outlook was not so favourable because a surge of new supply was on the way. Lead was trading well above its 10-year average price, which suggested little room for improvement.



Mr Bumstead said metal prices reflected a lack of economic growth in Europe and substantial de-stocking worldwide. If consumers reversed the trend and re-stocked, price increases could be "quite dramatic".

Mr Doug Brown, Noranda director of commodity and trade research, is forecasting substantial western world surpluses of copper: 65,000 tonnes this year, 320,000 tonnes next year, 525,000 tonnes in 1998 and 815,000 tonnes in 1999.

He expects average London Metal Exchange copper prices to range from $1,873 to $2,093 a tonne next year, from $1,763 to $1,984 in 1998 and between $1,653 and $1,873 in 1999.

In contrast, he predicts the western world aluminium market will be more or less balanced and sees prices ranging from $1,587 to $2,862 a tonne next year, between $1,653 and $1,873 in 1998 and from $1,763 to $1,984 in 1999.

Zinc prices are also predicted to rise, ranging from $1,102 to $1,212 a tonne next year, between $1,212 and $1,322 in 1998 and between $1,322 and $1,543 in 1999.

Mr Brown sees the nickel price remaining relatively flat in the three years, ranging from $8,265 to $9,367 a tonne in 1997, then from $8,265 to $11,020 and in 1999 from $8,265 to $9,918.

The warning from Mr Phillip Crowson, chief economist at RTZ-CRA, came at the Australian Resources Conference. He said demand for most minerals and metals would grow at a rate well below that of global economic activity. Only a very few would exceed that level.

In the medium term, the annual increase in demand for copper would be equivalent to 300,000 tonnes, that for zinc 200,000 tonnes, for aluminium 600,000 tonnes, and for iron ore the equivalent of 8m to 10m tonnes.

"These tonnages are in some cases less than the prospective output of a single typical project," he told the conference, organised by broker J.B. Were. "At the very best the erosion of existing capacity will double these prospective needs."

● Noranda said operations at its Heath Steele zinc and lead mine in New Brunswick had returned to normal. The mine shut down on Monday after an explosion that killed one miner and injured another.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1412-13	1433-34
Previous	1404-5	1430-31
High/low	1408	1435/1429
AM Official	1407-08	1431-32
Kerb close		1434-35
Open int.	236,793	
Total daily turnover	64,954	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1260-65	1290-95
Previous	1250-55	1280-83
High/low	1262	1293/1290
AM Official	1261-63	1290-92
Kerb close		1295-97
Open int.	6,231	
Total daily turnover	2,135	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	743-4	744-5
Previous	740.5-41.5	743-44
High/low	742/741	745/742
AM Official	740-40.5	742-3
Kerb close		742-3
Open int	39,863	
Total daily turnover	6,834	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7040-50	7150-60
Previous	7035-45	7150-55
High/low	7015/7010	7155/7110
AM Official	7015-18	7123-24
Kerb close		7140-45
Open int.	46,793	
Total daily turnover	10,656	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5860-70	5920-25
Previous	5830-40	5900-05
High/low	5849	5925/5880
AM Official	5848-50	5915-20
Kerb close		5925-30
Open int.	15,857	
Total daily turnover	4,576	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1040.5-41.5	1064-65
Previous	1038-39	1062.5-63.0
High/low	1037.5	1065/1060.5
AM Official	1037.5-38	1060-60.5
Kerb close		1062-63
Open int	83,319	
Total daily turnover	20,282	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2012-14	1970-71
Previous	2005-06	1967-69
High/low	2012	1972/1960
AM Official	2011-12	1966-67
Kerb close		1970-71
Open int	168,862	
Total daily turnover	63,247	

■ LME AM Official £/$ rate: 1.6415

LME Closing £/$ rate: 1.6416

Spot: 1.6403 3 mths: 1.6372 6 mths: 1.6330 9 mths: 1.6305

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	93.50	+0.40	93.60	93.00	236	2,576
Dec	92.65	+0.60	93.20	92.00	4,780	22,378
Jan	91.55	+0.30	91.65	91.80	12	1,876
Feb	90.95	+0.30	91.00	91.00	24	953
Mar	90.05	+0.25	90.00	89.95	675	11,937
Apr	89.50	+0.25	90.00	90.00	1	548
Total					5,888	57,633

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	377.70-378.20		
Opening	378.00-378.50		
Morning fix	377.90	229.63	484.20
Afternoon fix	378.00	230.11	483.08
Day's High	378.70-379.00		
Day's Low	377.60-377.90		
Previous close	379.20-379.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.98	6 months	3.32
2 months	2.99	12 months	3.45
3 months	3.00		

Silver Fix	p/troy oz.	US cts equiv.
Spot	291.30	479.00
3 months	295.30	484.75
6 months	299.35	490.20
1 year	308.90	502.70

Gold Coins	$ price	£ equiv.
Krugerrand	378-380	230-232
Maple Leaf	383.25-385.70	
New Sovereign	88-91	54-55

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	377.9	-0.9	-	-	-	-
Dec	378.7	-0.9	379.9	378.3	11,965	98,914
Feb	381.5	-1.1	381.9	380.3	1,828	21,367
Apr	382.7	-1.1	383.4	382.6	45	12,174
Jun	385.0	-1.1	385.5	384.9	16	11,171
Aug	387.3	-1.1	-	-	26	4,362
Total					14,081	193,984

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	382.9	-1.2	384.5	382.0	2,081	18,436
Apr	385.2	-1.2	385.5	385.0	50	8,052
Jul	388.1	-1.4	388.0	388.5	4	976
Oct	391.4	-1.4	-	-	4	136
Total					2,589	27,899

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	116.15	-1.70	118.50	116.00	816	7,260
Mar	117.20	-1.75	119.00	116.00	145	950
Jun	118.20	-1.75	-	-	25	150
Total					984	8,316

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	469.8	-7.8	470.0	470.0	1	3
Dec	471.3	-8.0	481.0	471.0	5,610	62,472
Jan	473.3	-8.0	-	-	-	26
Mar	477.8	-8.0	487.5	477.5	441	15,048
May	482.1	-8.1	488.0	484.0	14	6,630
Jul	486.4	-8.2	493.0	487.0	35	5,264
Total					6,130	99,727

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	22.92	+0.26	23.15	22.47	40,764	84,675
Jan	22.71	+0.31	22.91	22.25	18,668	57,418
Feb	22.39	+0.30	22.60	22.05	11,973	36,665
Mar	22.06	+0.29	22.25	21.78	6,152	23,407
Apr	21.75	+0.29	21.92	21.55	1,517	16,502
May	21.56	+0.44	21.58	21.22	687	12,284
Total					86,671	333,657

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	22.43	+0.24	22.62	22.25	11,498	56,110
Jan	22.10	+0.25	22.27	21.94	8,526	55,716
Feb	21.64	+0.27	21.79	21.47	3,687	26,379
Mar	21.23	+0.33	21.23	21.00	1,140	28,176
Apr	20.66	+0.24	20.78	20.53	865	9,640
May	20.16	+0.18	20.28	20.04	1,187	4,753
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	67.10	+1.68	67.70	65.30	16,909	38,308
Jan	66.46	+1.77	67.00	65.25	9,219	31,252
Feb	65.43	+1.37	65.90	64.65	3,187	19,279
Mar	63.35	+1.22	63.50	62.55	1,462	9,837
Apr	60.70	+0.92	60.75	60.10	526	5,266
May	57.80	+0.67	57.80	57.40	100	3,129
Total					29,561	128,430

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	215.00	+6.50	215.25	208.00	7,850	28,313
Dec	208.75	+4.50	209.00	203.50	5,324	24,878
Jan	205.00	+3.25	205.00	201.00	3,278	23,395
Feb	200.00	+3.00	200.00	197.00	580	7,925
Mar	194.00	+2.75	193.50	191.50	54	6,171
Apr	188.00	-	186.50	186.00	37	4,725
Total					23,678	109,846

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.725	+0.051	2.740	2.660	20,666	39,538
Jan	2.700	+0.050	2.710	2.635	5,934	23,304
Feb	2.425	+0.034	2.440	2.388	3,160	14,063
Mar	2.230	+0.024	2.245	2.207	1,480	10,364
Apr	2.090	+0.029	2.090	2.060	1,133	5,910
May	2.030	+0.025	2.035	2.015	394	4,868
Total					35,060	143,974

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	64.50	-0.11	65.50	64.10	15,165	27,771
Jan	62.75	+0.45	63.20	61.85	5,246	13,397
Feb	62.40	+0.70	62.85	61.50	1,594	5,363
Mar	62.60	+0.70	62.85	62.05	1,220	2,634
Apr	64.40	-	-	-	274	2,482
May	63.80	-	-	-	251	1,161
Total					23,900	54,259

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	94.75	+1.25	94.25	93.00	26	118
Jan	95.40	+0.90	95.40	94.00	48	2,128
Mar	97.40	+1.30	97.40	95.55	143	1,836
May	98.50	+1.20	98.30	97.00	94	1,781
Jul	100.00	+1.20	-	-	-	298
Nov	95.75	+0.50	95.75	95.60	23	161
Total					334	6,330

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	369/4	+3/6	374/50	366/75	11,444	31,285
Mar	383/2	+3/6	385/00	380/00	5,441	17,318
May	349/6	+1/0	355/00	349/00	825	2,912
Jul	339/0	-0/6	344/00	338/00	2,370	11,179
Sep	344/00	-	344/00	344/00	14	303
Dec	353/00	+2/0	356/00	353/00	33	355
Total					18,948	65,225

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	260/00	+1/50	262/00	258/00	43,298	133,705
Mar	269/00	+1/50	266/75	263/00	21,002	88,510
May	270/75	+1/00	273/00	269/00	10,262	43,542
Jul	275/25	+1/50	276/75	272/50	9,567	34,820
Sep	271/00	+0/50	273/50	270/00	660	3,946
Dec	268/75	+0/25	271/75	269/00	4,685	29,572
Total					89,735	347,888

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	91.50	-	91.75	91.50	8	304
Jan	92.25	-	92.20	92.00	12	733
Mar	93.50	-	93.50	93.25	18	211
May	95.45	-	94.80	94.80	8	119
Sep	92.60	+1.00	-	-	-	1
Nov	94.00	+1.00	94.00	94.00	5	25
Total					49	1,403

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	681/00	+11/00	681/50	672/00	6,339	8,604
Jan	682/50	+9/75	683/50	674/00	33,687	73,861
Mar	686/50	+9/00	687/50	679/00	9,103	32,774
May	688/75	+8/25	689/50	684/00	2,639	18,615
Jul	691/25	+8/50	692/00	686/00	3,371	15,922
Aug	689/00	+9/50	689/00	684/00	29	1,509
Total					55,768	155,897

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.03	+0.21	23.05	22.86	7,157	45,077
Jan	23.30	+0.24	23.33	23.12	3,741	21,581
Mar	23.69	+0.23	23.70	23.51	1,088	18,897
May	24.02	+0.24	24.02	23.82	601	10,244
Jul	24.29	+0.22	24.29	24.10	255	5,081
Aug	24.31	+0.21	24.33	24.24	1	1,388
Total					12,811	104,852

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	224.9	+4.5	225.0	222.2	11,603	38,823
Jan	219.3	+4.3	219.5	214.5	4,475	13,777
Mar	214.5	+3.2	214.9	211.9	2,814	13,126
May	211.5	+2.5	212.0	210.4	883	10,381
Jul	211.7	+2.6	212.0	210.0	644	6,578
Aug	210.5	-2.2	210.0	209.5	78	1,344
Total					20,800	88,573

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	65.0	-	-	-	-	-
Apr	89.0	-	89.0	87.8	82	1,319
May	77.5	-	-	-	-	17
Jun	87.5	-	-	-	-	-
Mar	113.5	+1.5	-	-	-	2
Total					82	1,340

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1484	+2	1505	1485	210	513
Dec	1435	+4	1455	1435	235	466
Jan	1380	-2	1405	1370	77	1,864
Apr	1360	-7	1415	1360	9	581
Jul	1173	-4	1178	1176	10	211
Oct	1297	+2	-	-	-	34
Total					541	3,321

	Close	Prev
BFI	1393	1358

FUTURES DATA

All futures data supplied by CMS.

Nuts and Seeds

Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 Raw (in shell) naturally opened (round), RPPC announced new drop prices at 3,650 CFR; crop around 75,000 tonn, about 50 per cent less than last year. US almonds (shelled) 23/25 NPSSR up slightly at 5,660 FAS California. Nov to Dec shipment due to shortage of nonpareil variety. US walnuts LHP 20%: 5,500 FAS California; in-shell Hartley very difficult, price idea 2,350 FAS. Turkish hazelnuts, standard No 1, unstable with Lira fluctuations, price idea between 3,500 and 3,600 CFR. Turkish apricots, number one, sold out; for number two, price up at 3,500 CFR. Indian cashews raw: W-320, 5,400 FOB India. Spot goods still firm at 5,800 FCA Rotterdam. US pecans, fancy junior mammoth halves, crop 1996, cheapest at US shelled nuts at 5,400 FOB.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	907	+7	906	896	1,004	25,254
Mar	940	+7	941	930	2,067	44,794
May	957	+5	958	948	709	14,268
Jul	975	+3	976	969	238	12,099
Sep	992	+2	993	987	410	5,838
Dec	1005	+1	1004	1001	69	4,736
Total					4,553	130,332

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1327	+9	1333	1320	4,580	15,939
Mar	1368	+9	1373	1362	8,209	30,246
May	1387	+8	1396	1385	707	8,167
Jul	1404	+8	1406	1400	489	6,962
Sep	1421	+8	1421	1421	240	5,961
Dec	1442	+5	1450	1444	28	844
Total					14,257	75,032

■ COCOA (ICCO) (SDR's/tonne)

Nov 5	Price	Prev. day
Daily	992.01	988.62

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1510	+9	1513	1490	141	3,576
Jan	1410	+9	1412	1396	2,203	16,849
Mar	1355	+9	1357	1341	518	8,904
May	1339	+11	1341	1325	463	4,095
Jul	1341	+12	1341	1341	1	534
Sep	1340	+12	1340	1338	23	133
Total					3,492	33,633

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	124.30	+5.45	124.80	118.75	3,080	9,865
Mar	111.40	+3.50	111.75	107.50	2,089	11,265
May	107.50	+2.80	107.75	105.00	189	3,832
Jul	106.50	+3.50	106.50	104.25	123	1,090
Sep	105.45	+3.20	105.75	102.70	12	644
Dec	104.40	+2.40	-	-	12	428
Total					5,436	27,267

■ COFFEE (ICO) (US cents/pound)

Nov 5	Price	Prev. day
Comp. daily	97.80	97.98
15 day average	98.82	98.84

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	304.5	-2.4	307.5	302.9	2,481	5,801
Mar	304.0	-1.2	305.5	302.2	2,080	13,123
May	304.3	-0.6	305.4	303.0	170	4,825
Aug	307.3	-0.4	307.8	305.5	17	1,878
Oct	301.7	+0.4	301.5	300.0	19	1,286
Dec	304.1	+1.0	303.0	303.0	11	287
Total					4,811	27,261

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.46	+0.07	10.43	10.21	3,479	87,578
May	10.46	+0.04	10.51	10.35	914	30,301
Jul	10.40	+0.03	10.40	10.29	484	18,023
Oct	10.40	+0.03	10.41	10.28	468	11,298
Mar	10.41	+0.02	10.40	10.34	133	3,584
May	10.40	+0.02	10.35	10.35	79	656
Total					5,585	155,226

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	71.37	-0.90	72.05	71.10	2,864	23,300
Mar	73.43	-0.75	74.00	73.30	1,444	14,734
May	74.65	-0.68	74.95	74.50	332	6,878
Jul	75.40	-0.60	75.85	75.00	77	6,745
Oct	75.75	-0.30	-	-	18	656
Dec	75.63	-0.30	75.90	75.50	125	4,534
Total					4,854	58,852

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	111.95	+2.65	112.00	109.50	78	4,509
Jan	98.75	+0.30	99.25	98.55	918	8,193
Mar	101.45	+0.30	101.90	101.40	298	4,579
May	103.95	+0.35	104.25	103.80	19	1,286
Jul	106.65	+0.35	-	-	3	456
Sep	107.65	-	-	-	-	[illegible]
Total					1,319	29,751

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CBOE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 6	Nov 5	month ago	year ago
1851.3	1853.1	1866.4	2134.8

■ CRB Futures (Base: 1967 = 100)

Nov 5	Nov 4	month ago	year ago
238.13	236.52	247.81	

■ GSCI Spot (Base: 1970 = 100)

Nov 5	Nov 4	month ago	year ago
202.45	202.25	211.30	183.26

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.075	+0.050	67.350	66.800	8,384	38,205
Feb	64.025	+0.050	64.225	63.700	2,684	19,521
Apr	65.900	-0.100	66.150	65.750	2,275	13,343
Jun	63.525	-0.200	63.875	63.450	586	3,228
Aug	62.600	-0.100	63.175	62.650	758	6,504
Oct	65.500	-0.225	65.750	65.450	340	3,779
Total					13,218	84,567

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	56.600	+0.600	56.900	56.150	4,283	12,770
Feb	76.350	+0.250	76.750	75.950	2,216	8,902
Apr	71.550	+0.525	71.650	70.950	613	3,249
Jun	75.750	+0.250	75.850	75.300	426	3,347
Jul	73.225	-0.025	73.500	73.100	83	910
Aug	69.850	+0.150	69.900	69.500	111	995
Total					7,745	30,728

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	71.850	+2.450	72.300	70.700	1,393	4,857
Mar	71.850	+2.350	72.000	70.300	81	509
May	73.250	+2.275	73.325	71.500	39	381
Jul	73.200	+2.000	73.250	72.200	46	232
Aug	70.975	+1.925	70.975	-	1	47
Total					1,562	6,156

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1400	46	80	24	43
1425	33	75	35	53
1450	23	63	50	65
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1950	81	116	40	108
2000	63	94	62	136
2050	42	75	91	167
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	62	52	52	97
1450	34	38	74	133
1500	22	28	115	173
■ COCOA LIFFE	Dec	Mar	Dec	Mar
900	19	50	12	18
925	8	42	26	27
950	3	31	46	41
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2150	-	-	8	21
2200	-	-	-	-
2250	-	-	17	-

LONDON SPOT MARKETS

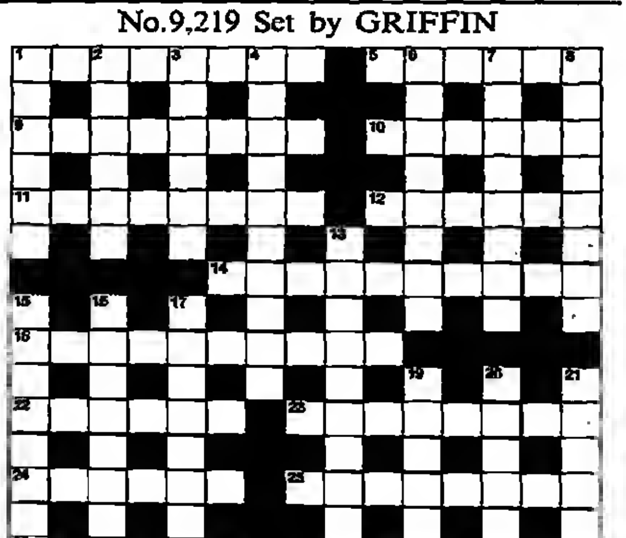
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$20.43-0.51x	+0.055
Brent Blend (dated)	$21.88-1.91	+0.045
Brent Blend (Dec)	$22.43-2.46	+0.115
W.T.I.	$22.93-2.95x	+0.05
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$235-237	
Gas Oil	$215-216	+6
Heavy Fuel Oil	$106-108	-4
Naphtha	$220-223	
Jet fuel	$237-239	
Diesel	$225-227	+7
■ NATURAL GAS (Pence/therm)		
Bacton (Dec)	15.30-5.60	+0.05
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$377.85	-1.40
Silver (per troy oz)♣	478.00c	-4.50
Platinum (per troy oz.)	$379.75	-2.00
Palladium (per troy oz.)	$116.50	-1.00
Copper	99.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.66r	-0.05
Tin (New York)	274.50	
Cattle (live weight)	96.36p	+1.56*
Sheep (live weight)	128.33p	+8.21*
Pigs (live weight)	91.06p	-3.94*
Lon. day sugar (raw)	$269.10	-0.50
Lon. day sugar (wte)	$310.50	-3.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	80.50p	
Rubber (Jan)♥	80.50p	
Rubber (KL RSS No1)	322.0c	+0.5
Coconut Oil (Phil)§	$760.0v	-5.0
Palm Oil (Malay.)§	342.5z	-2.5
Copra (Phil)§	$435.0z	
Soyabeans (US)	157.0z	0
Cotton Outlook'A' index	75.60	
Wooltops (64s Super)	403p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec. y Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. † Based on 1,325 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,219 Set by GRIFFIN



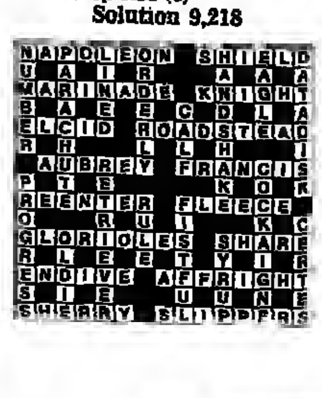
ACROSS

1 Clap first person to beat disability (8)
5 Bargain well, accepting £2,000! (6)
9 Abandoned front door key widow once used (8)
10 Prevent my ties getting knotted (6)
11 Fifty people getting paid are trainees (8)
12 Having vehicle Hill rejected incentive (6)
14 Lame soccer player stops poachers (10)
18 Limited support by credit organisation (10)
22 Pressed one end or another (6)
23 Knowing a Cornish saint from old records (8)
24 Battle with forwards after start of play (6)
25 A poison a protein disperses (8)
26 Object to wearing string for finala (6)
27 Rated second journalist for following fools (8)

DOWN

1 Missing boy Hudson led astray gets crowd together (6)
2 And not married to a man, as usual! (6)
3 Home ground is wall away from the sea (6)
4 Agreement whereby Bill gets new crane, COD (10)
6 One picking up colonists for dinner? (8)
7 On upturned beaker spots sweets (8)
8 People putting up with top English clergymen (8)
13 Rejoices when rebel caste is destroyed (10)
15 Gats rid of water from exhaust on time (8)
16 Miscellaneous advertisement covering various stores (8)
17 Not into bondage on one's birthday? (8)
19 Pick made hole in cold water pipe (6)
20 Escapes when invalid enters (6)
21 When top Conservative has to stop rise (6)

Solution 9,218



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)					
4 Rue Jean Monet, L-2180 Luxembourg 352 42494 8320					
Latin America Equity		48.97	49.79	--	-
North America Equity		80.44	80.84	--	-
Asian Tigers Equity		61.18	61.80	--	-
Europe Equity		72.17	73.34	--	-
Germany Equity		DM132.28	132.92	--	-
Japan Equity		47.02	47.49	--	-
Europe Bond		81.01	81.18	--	-
US Bond		58.30	58.45	--	-
Global Bond		81.18	81.33	--	-
Germany Bond B		DM105.38	105.43	--	-
Spain Bond		Pta9935	9950	--	-
Eastern Europe Equity F		DM173.30	177.83	--	-
China Equity F		95.72	95.82	--	-
Switzerland Equity		SFr122.82	123.43	--	-

Abtrust Fund Managers Luxembourg SA (u)
4 Boulevard Royal L-2449 Luxembourg 00 352 227001

Fidelity Funds - Contd.

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg

Mercury Asset Management S.A. - Contd.

Midland Intl Circuit Fund SICAV(u)

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
$ Hong Kong Stockmkt	$7.222	7.785	—	–
$ Intl Fixed Interest	$3.812	4.090	—	–
$ Intl Mngd Currency	$2.441	2.625	—	–
$ Dollar Money Mkt	$2.267	2.459	—	–
$ Latin American Stkmkt	$0.934	1.004	—	–
$ Dollar Special Mkt	$1.068	1.167	—	–
$ Emerging Market Bond	$1.159	1.246	—	–
$ Emerging Stockmarkets	$0.826	0.888	—	–

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HOUSEHOLD GOODS

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

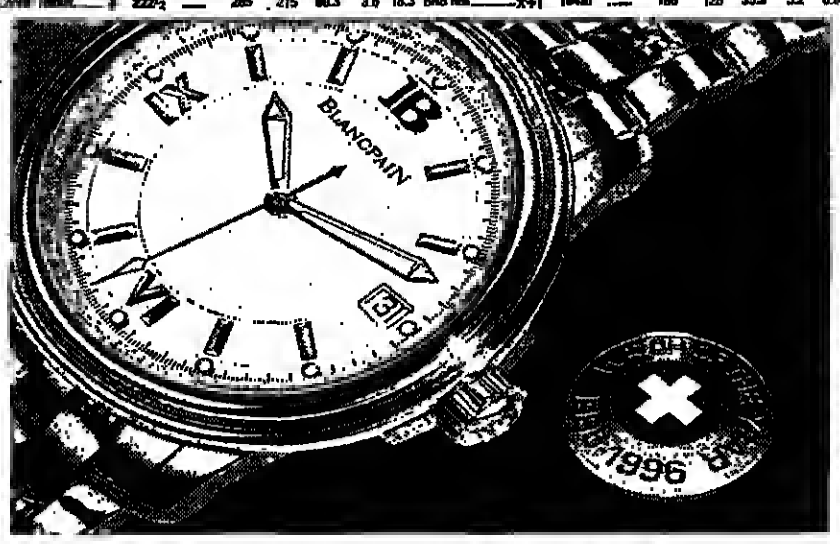
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, FOOD - Cont.

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	[illegible]	£21½xd	—	[illegible]	£21½	1,724	3.3	Φ
Barlow	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Gold Flds Prop R		125½	[illegible]	170	120	12.8	[illegible]	10.8
MK Props		82	—	96	60	2.49	13.3	–
SASOL	♥	[illegible]	—	710	475	3,777	1.8	–
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	4,619	2.1	Φ
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	2,653	1.5	20.9
Tiger Oats	†	790	—	1270	770	1,188	1.9	17.9
Tongaat-Hulett		[illegible]	[illegible]	1247	683	[illegible]	2.6	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
a Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
H Assumed yield after pending scrip and/or rights issue.
J Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part ex a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimate.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

LONDON STOCK EXCHANGE

Takeover talk and Wall St boosts UK stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A powerful opening performance by Wall Street in response to Bill Clinton's re-election as US president rescued the London market from a turbulent trading session.

Earlier, a 25-point gain in the FTSE 100 was almost wiped out following publication of the Bank of England's quarterly inflation report, which called for further increases in domestic interest rates, triggering a flurry of selling across the equity market.

But the London market's confidence returned as the Dow Jones Industrial Average powered to a 50-points plus gain shortly after it opened.

When the dust had settled in the market place, the FTSE was left with a 14.8 gain at 3,935.7 after a swing of almost 35 points.

But the midsession damage was generally confined to the FTSE 100 leaders. The second-liners, represented by the FTSE 250 index, were never under any exceptional selling pressure, with that index ending the day a net 8.7 up at 4,413.9. Even at its worst yesterday the index was 4 points higher. The FTSE SmallCap index settled 1.7 firmer at 2,162.6.

The market, and specifically the FTSE 250, was also given a big boost by a fresh burst of takeover speculation in the regional electricity stocks, which are heavily represented in the 250 index.

Talk in the market suggested that a share bid for East Midlands Electricity is imminent.

Some traders were speculating on another US-sourced bid. An hour after the market closed, Dominion Resources of the US said it was considering a bid for the UK group.

Shares kicked off the day in confident form, responding to Wall Street's near 40-point rise and the 1-point gain in the US long bond in the wake of the US election news. Dealers said news that the Republicans had retained control of the US Congress was positive for the market in that they could block any perceived reckless spending plans by President Clinton.

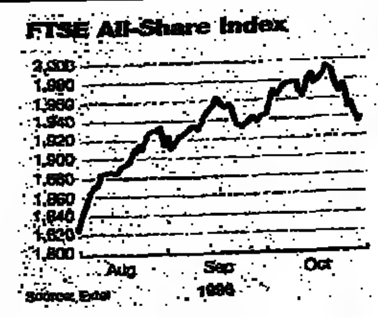
But the Bank of England's inflation report put paid to the market's initial flush of enthusiasm, stating that without further increases in rates the Government's 2.5 per cent target for inflation by spring 1997 would be unattainable. Marketmakers said that, plus worries that this morning's Confederation of British Industry October survey of Distributive Trades could bring more news of growing inflationary pressures, was adding to the calls for further increases in UK interest rates.

The FTSE 100 fell back as the inflation news was announced, the index falling into the red over lunchtime and down 9.4 at its worst.

But, with the Dow Jones Industrial Average racing ahead and pushing through 6,100 to a new all-time high, the UK market gathered itself and closed in relatively good shape, helped along by the bid talk in the recs.

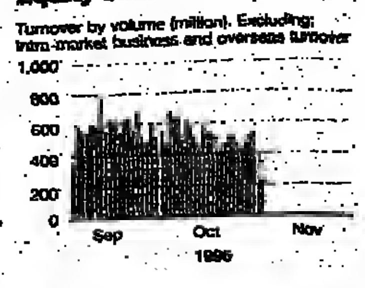
Turnover in equities at the 6pm calculation came in at 693.8m. Customer business on Tuesday was light at £1.45bn, but well above the levels of the previous two trading sessions.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3935.7	+14.8
FTSE 250	4413.9	+8.7
FTSE 350	1964.8	+6.5
FTSE All-Share	1940.28	+6.08
FTSE All-Share yield	3.84	3.84
FT 30	2786.7	+5.7
FTSE Non-Fins p/e	17.70	17.68
FTSE 100 Fut Dec	3949.0	+18.0
10 yr Gilt yield	7.61	7.76
Long gilt/equity yld ratio	2.06	2.06

Best performing sectors

1	Electricity	+2.1
2	Pharmaceuticals	+1.6
3	Insurance	+1.0
4	Banks: Retail	+0.9
5	Engineering	+0.8

Worst performing sectors

1	Gas Distribution	-1.2
2	Oil Exploration & Prod	-1.0
3	Extractive Ind	-0.9
4	Building Matls & Merchs	-0.9
5	Electronic & Elect Equip	-0.8

E Mids up ahead of bid news

By Peter John and Lisa Wood

East Midlands Electricity shot higher in afternoon trading as takeover talk returned and was later confirmed. Shares in one of the last five independent regional electricity companies jumped 70 to 607½p, still well below their peak of 785p a year ago.

Possible buyers included Houston Industries and Florida Light & Power of the US as well as Severn Trent of the UK. But no names were being mentioned yesterday and Severn Trent shares – assisted by a buy recommendation from HSBC James Capel – actually rose 8 to 632½p.

East Midlands, which is currently in closed season, said that not only did it never comment on market rumour, but it had received no call from the stock exchange to comment on the unusual share price move.

An hour after the market closed, Dominion Resources of the US announced it was considering an offer. The company said it was evaluating a potential offer, but was not prepared make an offer "at a price that is much in excess of East Midlands Electricity's closing price".

There are some concerns that the regulator might not permit any more mergers or takeovers in the sector, although among the other remaining independents Southern lifted 21½ to 669p and Yorkshire 15½ to 754p.

Cookson, the conglomerate, was the second-heaviest traded stock in the market, with one institution said to have sold a block of 9m shares at 210p. These were subsequently placed at 212p. Analysts have been busy downgrading their Cookson profits forecasts in recent days. The shares ended the session a net 2 off at 215½p.

HSBC Holdings hit a new high following a strong showing by shares in Hong Kong, where half its stock is owned. The stock ended up 29 at 1312½p.

In Hong Kong, the Hang Seng index rose 2.2 per cent to close at a record 12,775.47. The strength offset a big put warrant sale by Merrill Lynch. The broker launched 60m American-style put warrants on HSBC shares.

Abbey National rose 13½ to 650½p after two brokers recommended the stock.

Lloyd Thompson, the insurance broker, lifted 6 to 174p on news that it is to repurchase up to 7.8m of its own shares – about 10 per cent of its stock. The shares may be purchased at a maximum price equal to 105 per cent of the average middle market quotations for the 10 business days before the shares are contracted to be bought.

Marks & Spencer rose 8 to 491p following results earlier this week which had initially been greeted as good but uninspiring.

Kingfisher fell 10½ to 619½p with analysts saying they could give no reason for this move.

Whitbread softened 7½ to 729p as the market mulled over critical media comment on the company, which earlier this week announced better than expected results. One analyst said the reaction was "absurd" given the results.

Matthew Clark fell 12½ to 297½p following renewed institutional selling pressure.

Continuing disquiet about the prospects for the German economy adversely affected RMC Group which fell 25 to 1046½.

Redland hardened to 423½p after it announced that the necessary regulatory and tax approvals have been granted for the combination of its directly owned European roofing businesses with those of Braas GmbH, its 50.76 per cent-owned subsidiary.

Analysts said there was nothing new in the announcement, but there was a sense of relief that the deal had been completed.

Chelsfield rose 6 to 268½p in the wake of its announcement of a series of deals which leave it in a strong position to pursue a large redevelopment in Paddington, London.

Imperial Tobacco advanced 20½ to 373½p as SBC Warburg reiterated a buy recommendation. Warburg also repeated its cautious stance toward BAT Industries, which fell 2 to 415p on switching.

Pharmaceutical leaders rose on relief that Republicans retained control of the US Congress. A Republican majority in both houses of the Congress means it will be more difficult for the White House to push through healthcare reforms.

Zeneca climbed 17 to 1644½p, Glaxo Wellcome 16½ to 977½p, and SmithKline Beecham 13½ to 766½p.

BT slipped 3½ to 366½p on profit-taking and regulatory worries in spite of news that BT had won a £700m telephone contract to replace the private telephone network used by the British armed forces. Racal Electronics, which lost the contract, fell 9 to 266½p.

National Power and PowerGen resumed the advance initially fuelled by a strong buy recommendation from UBS last week. National Power was up 15½ at 433p and PowerGen 7½ to 541½p. The latter was helped by comments from the chairman Mr Ed Wallis who said he did not expect PowerGen would have to pay any windfall tax levied by a future Labour government on privatised utilities.

Rolls-Royce increased 6 to 254p after further orders emerged for Airbus aircraft, which are made by a consortium of which Rolls-Royce is a member.

Associated British Foods fell 4 to 419½p with UBS reiterating its "sell" recommendation on the basis that the stock was fully valued.

Yorkshire Foods fell 14 to 28½p following a warning that its US operation would make a substantial trading loss.

At the interim stage, it had predicted that the US operation would make a profit. The company will make no final dividend for the current financial year.

Continuing speculation about a possible takeover of Airtours lifted the shares 11 to 713p with strong buying interest from the US. Carnival Corporation, the Miami-based cruise company, holds a 29.5 per cent stake in the UK travel operator.

First Leisure weakened 12 to 348½p following a disappointing trading statement earlier in the week.

It was full steam ahead for Britt Allcroft, the producer of Thomas the Tank Engine, which thundered over the points on flotation to achieve a 29p premium to its 130p placing price.

The housebuilding sector was given a slight boost when Westbury reported a 49 per cent increase in interim profits to £9.7m and reported demand for new houses at a higher level than at any time this decade. Westbury rose 2½ to 234p.

A profits warning sent Electrocomponents down 7½ to 417½p.

FT 30 INDEX

	Nov 6	Nov 5	Nov 4	Nov 1	Oct 31	Yr ago	*High	*Low
FT 30	2786.7	2781.0	2782.6	2795.0	2810.6	2591.0	2885.2	2669.8
Ord. div. yield	4.10	4.11	4.10	4.08	4.08	4.10	4.22	3.76
P/E ratio net	16.82	16.80	16.80	16.91	16.99	15.62	17.46	15.80
P/E ratio nil	16.66	16.64	16.65	16.75	16.83	15.42	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2799.8	2788.3	2792.0	2793.8	2786.7	2780.8	2767.8	2775.6	2785.2	2799.8	2767.2

	Nov 9	Nov 5	Nov 4	Nov 1	Oct 31	Yr ago
SEAQ bargains	39,163	37,653	38,380	35,536	35,647	29,491
Equity turnover (£m)†	-	1448.9	1001.4	907.9	1246.0	1977.0
Equity bargains†	-	28,280	25,803	23,400	26,174	35,746
Shares traded (mi)†	-	476.3	339.7	388.1	525.4	852.0

†Excluding intra-market business and overseas turnover.

	Nov 9	Nov 5	Nov 4	Nov 1	Oct 31	Yr ago	*High	*Low
FTSE AIM	1028.40	1029.50	1029.70	1025.40	1025.00	-	1140.40	965.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	750	Total Highs	63	Total contracts	55,944
Total Falls	448	Total Lows	88	Calls	24,848
Same	1401			Puts	31,096

Nov 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3962.0	3945.0	+18.5	3962.0	3915.0	20440	58627
Mar	3966.0	3960.0	+18.5	3971.0	3948.0	3	1634
Jun	3978.5	3972.0	+19.0	3984.0	3954.0	375	1424

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4437.0	+7.0	-	-	0	4129

■ FTSE 100 INDEX OPTION (LIFFE) (*3935) £10 per full index point

	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Feb	[illegible]															
Jun†	[illegible]															

Calls 4,789 Puts 12,299

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Mar	[illegible]															
Jun†	[illegible]															

Calls 7,139 Puts 12,083 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§3	F.P.	7.55	4¼	4	†Beechcroft	4		-	-	-	13.2
§130	F.P.	37.5	162½	130	Britt Allcroft	159½		L1.6	3.5	1.3	39.2
§135	F.P.	48.0	164½	152½	Charles Taylor	164½	+1	L4.2	0.3	3.2	82.3
3	F.P.	7.02	4½	4	†Corp Exec Search	4		-	-	-	-
	F.P.	10.2	162½	155½	†Deep Sea Leisure	162½		-	-	-	-
§80	F.P.	24.9	92½	90½	†Fitness First	90½		-	-	-	-
100	F.P.	88.5	113½	81½	†Geo Inter Med	90½	+1	-	-	-	-
§100	F.P.	24.8	99½	99	Hlthcare Reform	90		-	-	-	-
§	F.P.	58.5	177	160½	Interoute Telecom	160½	-2	-	-	-	-
	F.P.	11.0	132½	124½	†Jardinerie Ints	130½		-	-	-	-
§285	F.P.	140.2	310	292½	John D Sports	301½		L4.3	2.5	1.6	28.4
72	F.P.	27.6	79½	73½	†Lotus Road	74½	-½	-	-	-	-
*	F.P.	43.1	131½	128	Lomond Undrwrtng	130½		-	-	-	-
§10	F.P.	4.23	12¼	11¼	†Mears Group	11¼		10.2	-	2.1	-
75	F.P.	5.46	93½	82½	†Mondas	85		-	-	-	-
§154	F.P.	19.8	211½	187½	Oriental Rest	207½		-	-	-	23.5
170	F.P.	868.7	177	160	Thistle Hotels	161		R5.7	2.5	2.9	17.3
§250	F.P.	190.8	302	282½	Ultra Elctn	283½	+1	RW6.5	2.3	2.8	19.9
§	F.P.	99.5	62	82	†Victory Corp	82½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 5	% chg on day	Nov 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1675.63	-0.4	1682.70	1772.28	1.80	-	2520.73	1772.23
■ Regional Indices								
Africa (13)	2490.06	+0.3	2482.07	2333.68	3.08	36.38	3553.86	2331.68
Australasia (6)	2097.34	+0.4	2089.93	2174.34	2.65	21.02	2927.34	2005.75
North America (12)	1673.58	-0.8	1687.13	1557.66	0.76	63.31	2186.39	1557.66

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 6	Day's chge%	Nov 5	Nov 4	Nov 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3935.7	+0.4	3921.1	3928.1	3948.5	3597.1	4.00	2.05	15.27	153.51	1638.19
FTSE 250	4413.9	+0.2	4405.2	4418.4	4429.2	3909.1	3.54	1.49	23.64	159.86	1800.15
FTSE 250 ex IT	4455.0	+0.2	4447.4	4460.6	4471.2	3931.5	3.63	1.52	22.65	167.83	1820.92
FTSE 350	1964.8	+0.3	1958.4	1962.4	1971.4	1760.5	3.90	1.94	16.54	75.50	1671.03
FTSE 350 Higher Yield	1876.4	+0.5	1867.3	1866.3	1869.6	1762.5	5.19	1.92	13.24	97.33	1345.13
FTSE 350 Lower Yield	2060.7	+0.2	2056.9	2065.6	2060.3	1762.8	2.73	2.14	21.31	64.22	1441.53
FTSE SmallCap	2162.61	+0.1	2160.90	2164.03	2167.41	1934.30	3.15	1.58	25.19	61.51	1799.07
FTSE SmallCap ex IT	2165.56	___	2165.25	2167.53	2170.06	1919.62	3.34	1.65	22.71	65.33	1814.60
FTSE All-Share	1940.28	+0.3	1934.20	1938.07	1946.55	1737.81	3.84	1.92	16.66	73.08	1675.17

■ FTSE Actuaries Industry Sectors

	Nov 6	Day's chge%	Nov 5	Nov 4	Nov 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3689.22	-0.5	3709.09	3720.39	3765.40	2886.31	3.87	1.71	18.92	128.05	1910.65
12 Extractive Industries(6)	4088.52	-0.9	4126.40	4156.89	4209.01	4157.35	3.97	2.66	11.84	162.00	1219.58
15 Oil, Integrated(3)	3796.93	-0.4	3812.81	3820.04	3870.03	2862.90	4.06	1.55	19.83	135.19	1701.55
19 Oil Exploration & Prod(15)	2754.79	-1.0	2783.62	2800.63	2809.59	1670.01	1.93	1.71	38.03	52.04	1669.22
20 GEN INDUSTRIALS(275)	2019.60	.....	2019.05	2025.34	2037.25	1936.20	4.23	1.71	17.25	76.26	1125.01
21 Building & Construction(34)	1188.21	+0.3	1184.74	1191.82	1138.34	905.67	3.56	1.47	23.84	36.99	1012.00
22 Building Matls & Merchs(29)	1869.56	-0.9	1885.89	1883.89	1904.89	1675.01	4.13	1.41	21.50	72.84	963.58
23 Chemicals(25)	2391.96	-0.5	2404.78	2413.70	2427.23	2399.95	4.24	1.45	20.35	88.14	1153.02
24 Diversified Industrials(19)	1437.87	+0.2	1434.89	1430.73	1444.80	1766.30	7.05	1.91	11.02	89.36	828.94
25 Electronic & Elect Equip(36)	2303.03	-0.6	2317.57	2332.67	2333.18	2121.42	3.40	1.48	24.85	64.15	1214.58
26 Engineering(71)	2610.70	+0.8	2588.74	2614.75	2627.87	2123.43	3.13	2.47	16.19	72.59	1609.31
27 Engineering, Vehicles(14)	3235.67	+0.7	3214.23	3208.06	3234.19	2542.44	3.33	1.72	21.82	102.58	1707.63
28 Paper, Pckg & Printing(28)	2556.80	-0.4	2565.87	2569.77	2567.49	2829.21	4.08	1.82	16.85	92.21	1085.40
29 Textiles & Apparel(19)	1158.65	+0.4	1153.68	1158.90	1166.48	1462.83	6.16	1.17	17.39	52.22	721.15
30 CONSUMER GOODS(82)	3660.72	+0.7	3654.33	3654.68	3672.28	3469.63	3.82	1.93	16.51	129.85	1385.53
32 Alcoholic Beverages(8)	2730.91	.....	2729.88	2725.47	2727.14	2828.89	4.65	1.63	16.53	104.19	1003.04
33 Food Producers(25)	2531.34	-0.3	2538.55	2546.42	2547.50	2465.14	4.19	1.85	19.13	38.34	1162.60
34 Household Goods(15)	2700.96	-0.2	2706.10	2724.42	2724.72	2539.83	3.79	2.25	14.70	100.09	1053.25
36 Health Care(18)	1955.09	-0.6	1965.67	1955.93	1962.67	1926.49	3.04	1.97	20.88	54.40	1205.59
37 Pharmaceuticals(14)	5748.30	+1.6	5658.87	5655.36	5700.45	4804.30	2.97	2.01	20.86	162.93	1983.05
38 Tobacco(2)	3525.04	+0.3	3514.36	3514.96	3538.35	4633.57	7.35	2.13	7.98	262.07	907.76
40 SERVICES(254)	2584.73	+0.2	2560.45	2572.67	2589.94	2138.23	2.91	1.97	21.81	73.57	1354.02
41 Distributors(30)	2802.25	-0.6	2816.43	2837.82	2834.95	2613.59	2.96	2.02	20.83	79.68	1066.75
42 Leisure & Hotels(25)	3165.17	-0.1	3169.68	3179.27	3193.53	2494.58	2.76	2.03	22.32	173.08	1721.26
43 Media(45)	4283.30	+0.9	4268.98	4293.43	4342.98	3407.21	2.13	2.06	28.43	91.96	1567.79
44 Retailers, Food(15)	1993.61	-0.3	1999.98	1997.06	2025.96	1922.43	3.94	2.29	13.83	63.74	1289.11
45 Retailers, General(45)	2083.71	+0.4	2074.51	2104.84	2120.46	1759.69	3.11	2.09	19.28	63.83	1211.47
47 Breweries, Pubs & Rest.(21)	3157.65	-0.3	3167.93	3151.10	3136.39	2678.30	3.30	2.00	18.98	86.29	1531.09
48 Support Services(50)	2598.52	-0.1	2600.21	2610.13	2604.45	1828.64	1.90	2.23	29.49	47.87	1668.73
49 Transport(23)	2544.61	+0.2	2538.98	2520.94	2537.96	2219.58	3.74	1.19	28.38	62.36	1081.23
60 UTILITIES(33)	2370.67	+0.4	2361.94	2359.07	2326.00	2501.53	5.47	1.75	13.07	168.88	1060.42
62 Electricity(12)	2516.08	+2.1	2463.91	2432.57	2431.48	2889.19	9.54	2.21	9.63	429.17	1382.42
64 Gas Distribution(2)	1282.15	-1.2	1298.15	1298.15	1298.15	1524.63	9.35	0.83	16.05	116.71	701.56
66 Telecommunications(8)	2036.80	-0.3	2043.41	2049.99	1991.82	2054.32	3.96	1.51	20.91	50.32	946.05
68 Water(11)	2168.57	+0.8	2151.26	2156.59	2168.35	2111.58	6.45	2.29	8.46	103.62	1231.45
69 NON-FINANCIALS(668)	2026.45	+0.2	2022.54	2027.43	2035.74	1837.73	3.87	1.83	17.70	77.81	1570.63
70 FINANCIALS(103)	3291.07	+0.8	3264.68	3264.65	3283.33	2768.24	4.04	2.36	13.12	124.34	1449.36
71 Banks, Retail(8)	4740.69	+0.9	4696.15	4702.09	4729.09	3878.45	3.83	2.71	12.04	175.98	1584.83
72 Banks, Merchant(6)	3715.57	-0.2	3721.32	3731.30	3718.63	3584.10	2.80	2.61	15.88	95.60	1196.06
73 Insurance(21)	1562.41	+1.0	1546.34	1538.98	1550.56	1389.82	5.37	2.27	10.26	79.70	1209.88
74 Life Assurance(7)	3747.68	+0.8	3717.82	3705.56	3743.06	3305.92	4.15	1.78	19.89	151.01	1593.47
77 Other Financial(20)	2703.82	+0.1	2701.11	2708.32	2713.13	2398.17	4.05	1.79	17.26	88.27	1568.00
79 Property(41)	1651.89	+0.3	1646.92	1645.45	1650.78	1377.16	3.89	1.27	25.42	49.30	1034.44
80 INVESTMENT TRUSTS(127)	3132.01	+0.4	3116.71	3126.67	3139.45	2910.50	2.28	1.12	49.08	62.38	1105.47
89 FTSE All-Share(898)	1940.28	+0.3	1934.20	1938.07	1946.55	1737.91	3.84	1.92	16.96	73.08	1675.17
FTSE Fledgling	1221.53	.....	1222.05	1224.47	1227.86	1080.66	2.81	0.64	69.05	31.08	1294.68
FTSE Fledgling ex IT	1235.14	-0.1	1236.31	1238.81	1242.44	1081.57	3.01	0.56	74.06	33.89	1310.87

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3946.2	3934.7	3941.6	3948.4	3934.9	3927.6	3912.4	3923.4	3935.2	3948.5	3811.7
FTSE 250	4411.8	4412.1	4413.6	4413.6	4412.0	4413.2	4410.1	4409.6	4412.1	4414.8	4409.2
FTSE 350	1968.8	1964.4	1967.2	1969.1	1964.5	1961.7	1955.5	1959.7	1964.9	1969.2	1955.1

Time of FTSE 100 Day's high: 11:01 AM Day's low: 2:05 PM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1182.0	1160.9	1164.1	1164.0	1163.2	1162.7	1160.0	1160.3	1160.2	1161.8	1156.2	+5.4
Pharmaceutcls	5669.6	5638.1	5665.2	5653.2	5652.1	5634.4	5613.4	5641.5	5674.9	5675.0	5585.7	+89.3
Water	2142.2	2141.4	2141.9	2142.2	2142.2	2144.2	2143.9	2142.6	2153.2	2154.1	2136.4	+17.7
Banks, Retail	4804.7	4790.2	4804.6	4815.4	4794.9	4786.7	4768.1	4792.7	4801.5	4801.2	4756.1	+45.1

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1910. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 Index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

CANADA

TORONTO (Nov 6 / Can $)

4 pm close

INDICES

US INDICES

DJ Ind. Day's high 6125.53 (6083.05) Low 6029.01 (5981.30) (Theoretical♦)
Day's high 6095.46 (6048.51) Low 6042.42 (6011.49) (Actual♦)

Standard and Poors							
Composite‡	714.14	706.73	703.77	714.14 (5/11)	598.48 (18/1)	714.14 (5/11/96)	4.40 (1/6/32)
Industrials♥	836.54	829.30	825.37	836.55 (18/10)	702.07 (16/1)	836.55 (18/10/96)	3.52 (30/6/32)
Financial	78.87	77.68	77.13	78.87 (5/11)	58.07 (10/1)	78.87 (5/11/96)	7.13 (4/8/74)
NYSE Comp.	378.43	375.07	373.68	378.43 (5/11)	321.41 (10/1)	378.43 (5/11/96)	4.64 (25/4/42)
Amex Mkt Val	573.62	571.78	572.56	614.99 (22/5)	525.60 (16/7)	214.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1229.07	1220.48	1221.78	1268.10 (16/10)	988.57 (15/1)	1268.10 (15/10/96)	54.87 (3/10/74)

RATIOS

	Nov 1	Oct 25	Oct 18	Year ago
Dow Jones Ind. Div. Yield	2.15	2.15	2.12	2.41
	Oct 30	Oct 23	Oct 16	Year ago
S & P Ind. Div. yield	1.95	1.92	1.92	2.07
S & P Ind. P/E ratio	22.80	23.15	23.13	17.99

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
AT & T	7,838,700	34⅛	+⅜
Nike B	5,929,200	54	-¾
Micron Tech	5,156,500	28½	+⅛
Eckerd	4,452,300	34	+¾
Fed Natl	4,400,000	38¼	+⅝
Compaq	3,822,100	70⅝	+4
Elec Data	3,668,200	46	+⅞
RFS Hotel	3,554,400	16	-½
Ford Motor	3,218,000	31⅛	+⅛
Officemax	3,176,100	13⅝	+⅛

TRADING ACTIVITY

● Volume (million)	Nov 5	Nov 4	Nov 1
New York SE	489.144	394.005	467.479
Amex	18.133	17.392	18.865
NASDAQ	583.989	446.854	540.732
NYSE			
Issues Traded	3,261	3,263	3,253
Rises	1,457	1,297	1,161
Falls	949	1,049	1,219
Unchanged	855	877	873
New Highs	218	122	132
New Lows	47	42	32

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Nov	2207.0	2218.0	+25.0	2225.0	2203.0	18,311	19,322
Dec	2212.5	2223.0	+25.5	2226.5	2210.0	411	20,375
DAX							
Dec	2740.0	2745.0	+18.5	2748.5	2730.5	23,536	–
Mar	2758.0	2763.5	+19.0	2766.0	2751.5	1,044	–
OMX							
Nov	1700.00	1696.00	+2.50	1713.00	1688.00	6,298	27,951
Dec	1700.00	1705.25	+20.50	1705.25	1700.00	33	3,546
SOFFEX							
Nov	3822.0	3820.5	+23.5	3822.0	3799.0	5,309	20,945
Dec	3823.0	3823.0	+27.0	3827.0	3812.0	377	1,036

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Dec	715.40	717.60	+2.20	720.30	714.90	67,005	182,274
Mar	722.50	724.10	+2.35	724.20	721.90	751	6,886

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Dec	20800.0	21100.0	+460.0	21130.0	20740.0	27,625	211,096
Mar	20790.0	21170.0	+530.0	21170.0	20790.0	77	14,818

Open interest figures for previous day.

Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 13.33 – Sat Nov 2: Taiwan Weighted Price 6582.94; Korea Comp Ex 785.73. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 6 – 2735.28 +19.12

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, November 6, 1996

	Stocks Traded	Closing Prices	Change on day
Yuken Kogyo	5.5m	775	+26
Nippon Steel Cp	4.6m	336	+4
Kawasaki Hvy Ind	4.3m	526	+3
NEC Corp	4.1m	1280	+10
Takashima & Co	3.9m	707	+4
Kawasaki Steel	3.6m	347	+6
NKK Corp	3.2m	268	+5
Sumitomo Seika	3.1m	866	+27
Mitsubishi Hvy	3.1m	895	+11
Toshiba Corp	3.1m	733	+12

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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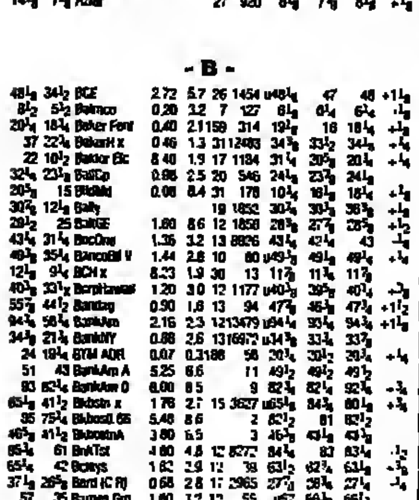
4 pm close November 6

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
21¼	17¾	AAR x	0.48	1.8	27	316	30½	29¾	29¾	-⅝
48⅝	33	AMP x	1.00	2.8	17	7624	24½	34	34⅛	+⅛
67½	66	AMR			18	7648	84½	82½	83⅞	
59½	37⅞	ASA	1.40	3.6	25	169	39⅞	38½	39½	-¼
63¼	38⅛	AbbtL	0.08	1.8	22	10505	52¾	50⅞	52¾	+1⅝
17¾	12¾	Abitibi Pr	0.40	2.9	7	535	14	13¾	14	+⅛
20¼	13½	ABM Ind	0.35	2.1	18	159	16½	16⅛	16⅞	-⅛
21⅝	13⅞	Acpencolo			44	330	u21⅞	21⅜	31½	+⅜
58½	37¾	ACE Ltd	0.56	1.0	14	1779	u58½	57¾	58	-½
18¼	9⅛	ACM Gvt In x	0.90	8.8	0	408	u10¼	10⅛	10¼	
7⅞	6⅝	ACM GvOpp x	0.57	7.9		147	7¼	7⅛	7¼	
9⅜	8⅛	ACM Man x	0.90	9.5		237	9⅝	8½	9½	-¼
13⅞	6⅛	Acme Elect	0.32	4.4	55	144	7⅝	7¼	7¼	-⅛
19⅞	13⅞	Acme Mills			13	40	10½	10⅛	10½	+¼
33⅜	27¾	Acordia	0.72	2.5	14	11	29¾	28⅜	28¾	
23⅛	12	Acuson			109	3692	u23⅛	22⅜	23	+¾
20⅞	17⅞	Adams Exp x	0.48	2.4	1	206	u20⅜	20⅛	20⅜	+⅛
21¼	10½	AdvMic			201	7616	18¾	18¼	18⅜	+⅜
11⅜	8½	Advest Grp	0.10	1.7	6	58	8⅛	8¼	8¼	+⅛
28⅞	8⅛	Advo Inc	0.10	0.7	107	80	14	13⅞	14	+⅛
53½	41⅛	Aegon	1.45	2.7	16	83	u53½	52⅞	53⅜	+⅞
6¾	3½	Aerflex			5	40	4⅝	4½	4½	
70⅞	57⅝	Aetna x	0.56	1.2	8	11032	66⅞	65⅞	66⅝	+1
42⅝	20¼	Aflac	0.40	0.9	17	4584	u42⅝	41¼	42½	+1¾
31⅛	17⅞	AGL Res	1.65	5.1	17	344	21½	21¼	21⅛	+⅛
32⅜	21⅛	Ahmanson	0.88	2.8	55	6385	21⅞	30¾	21¼	+⅛
68⅝	50⅞	AirPrC	1.10	1.7	17	2684	u68⅝	65¾	68⅝	+⅝
28⅜	18½	Airbrne Frt	0.30	1.5	10	1112	20⅞	29	28¼	+¼

[illegible]



Continued on next page

NYSE PRICES

4 pm close November 6

- X - Y - Z -

58¼	39¾	Xerox	1.16	2.8	41	22882	45¾	44⅝	45⅛	-⅜
47⅞	39¾	Xtra Corp	0.72	1.7	15	15	41½	41¼	41½	+⅜
25¾	20⅞	Yankee Egy	1.30	5.8	11	16	22⅝	22⅜	22⅜	-⅛
58¾	43⅞	York Int	0.36	0.7	23	981	50½	49½	50⅜	+⅞
5⅞	3	Zapata	0.14	3.9	19	8	3⅝	3⅝	3⅝	
25¾	5⅞	ZnthEl				6 2114	12⅞	12⅝	12¾	+¼
28⅞	21⅛	Zenith Nat x	1.00	3.7	38	51	27	26¾	27	
7¼	6½	Zenix Inc	0.72	10.1		128	7⅛	7	7⅛	
22⅞	15⅛	Zero x	0.12	0.7	14	1665	18	17⅛	17⅛	-⅞
26	18½	Zurn Ind	0.40	1.6	30	198	25¾	25½	25¾	+¼
11⅜	10½	Zweig Fund	1.08	9.8		86	11	10⅞	10⅞	
9	8¼	Zweig Totl	0.84	9.9		409	8½	8⅝	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX PRICES

4 pm close November 6

NASDAQ NATIONAL MARKET

4 pm close November 6

US shares head for fresh peaks

AMERICAS

US investors, relieved that the status quo in Washington would continue in the wake of Tuesday's elections, sent equities to new highs in early trading, *writes Lisa Bransten in New York*.

At 1 pm, the Dow Jones Industrial Average was 65.23 stronger at 6,146.41, putting it on course to pass its closing record of 6,094.32 set on October 18. The Standard & Poor's 500, which peaked on Tuesday, was also sharply higher with a gain of 6.51 at 720.65, and the American Stock Exchange composite climbed 3.38 at 577.00. NYSE volume was 286m shares.

Ms Abby Cohen, co-chair of the investment policy committee at Goldman Sachs put it succinctly: "People are feeling jolly".

A continuation of President Bill Clinton's fiscal restraint and aggressive trade policy – combined with a healthy picture for corporate profits – should be bullish for equities in the long term, she said. However, she added that, given the market's strong performance since July, there could be some consolidation in the near future.

Technology shares soared at the defeat of a California ballot initiative that threatened to increase litigation for some of the sector's most volatile issues. The Nasdaq composite, weighted toward that sector, added 11.38 at 1,240.45 and the Pacific Stock Exchange technology index climbed 1.5 per cent.

Intel, which is the largest company on the Nasdaq and had said that it would stop giving guidance about future earnings if the ballot measure had passed, added $2⅝ at $116⅝. Microsoft rose $1⅛ to $142⅞.

Multinationals were the strongest issues, helping the Dow post a modestly better performance than the S & P. The Morgan Stanley index of multinationals' shares added 1.4 per cent. Rising Dow constitutents included IBM, up $3 to $132⅞, Merck, $2⅝ to $78¼ and Philip Morris, $2⅝ to $96¼.

Elsewhere, Conrail rose $1⅜ to $94 as CSX increased its friendly bid for the rival railroad company. CSX fell $1 at $43 and Norfolk Southern, which has launched a hostile bid for Conrail, shed $1¼ at $97⅞.

TORONTO mirrored the the early upturn on Wall Street. At noon, the 300 composite index was 67.19 ahead at 5,731.68.

Banks and conglomerates led the way up with both sectors notching gains of more than 2 per cent. Golds were held in check by the flat bullion price.

Royal Bank of Canada put on C$1.35 to C$48.40 and Bank of Montreal added 55 cents to C$45.00. Imasco, the financial services, tobacco and retailing combine, jumped C$2.50 to C$34.00.

MEXICO CITY reversed an early slide to trade slightly higher at midsession, with foreign investors said to be more active than in recent sessions. The IPC index was 1.45 higher at 3,287.40.

CARACAS recovered some poise. Dealers said that investors continued to concentrate on the flotation of CANTV, the state telecoms group which opened for subscription on Tuesday and sparked a heavy sell-off. At midsession, the IBC index was 33.99 firmer at 5,820.2.

S Africa down over exchange rate fears

Shares in Johannesburg moved lower for the third session running to end near their lows for the day as worries about exchange rate policy resurfaced.

At the close, the overall index was off 50.1 at 6,873.9 and industrials 56.9 at 8,091.5. Golds, hit by a softening bullion price, ended down 38.1 at 1,702.

Dealers said currency uncertainty had dragged the market lower, adding that recent official statements about exchange controls had been conflicting. Sentiment was unsettled by one large, futures-led basket trade.

A dull profits statement left First National Bank 15 cents lower at R24.95. De Beers shed R1 to R138.25.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: November 1 1996	% Change over week	% Change on Dec '95	Local currency terms: November 1 1996	% Change over week	% Change on Dec '95
Latin America	(249)	527.52	-0.2	+11.8			
Argentina	(31)	852.52	+1.9	+6.4	522,827.55	+1.9	+6.4
Brazil	(68)	380.95	+1.0	+24.8	1,464.48	+1.1	+31.8
Chile	(45)	696.60	-2.2	-6.8	1,173.12	-1.6	-3.8
Colombia[1]	(14)	650.26	+0.3	+8.7	1,149.98	-1.0	+9.8
Mexico	(64)	505.19	-0.9	+11.5	1,734.57	-0.0	+15.2
Peru[2]	(19)	207.31	-3.2	+5.1	326.65	-3.1	+17.8
Venezuela[3]	(8)	665.34	-3.8	+99.0	7,210.01	-3.8	+176.2
Asia	(712)	247.00	-1.5	+8.4			
China[4]	(27)	58.76	-3.4	+8.6	61.56	-3.4	+8.3
South Korea[5]	(157)	92.23	-2.6	-26.8	99.98	-3.2	-22.1
Philippines	(42)	278.25	-1.4	+7.2	353.30	-1.3	+7.4
Taiwan, China[6]	(90)	144.07	+0.1	+27.8	148.76	-0.1	+28.8
India[7]	(79)	80.93	-2.8	+0.7	102.45	-2.7	+2.1
Indonesia[8]	(49)	116.69	0.0	+6.4	147.61	+0.1	+8.3
Malaysia	(148)	324.21	-1.8	+19.6	302.55	-0.9	+19.1
Pakistan[9]	(28)	215.27	+2.9	-11.3	393.25	+2.9	+4.3
Sri Lanka[10]	(5)	97.90	-0.9	-5.8	121.93	-1.0	+0.9
Thailand	(87)	248.68	-3.0	-33.8	251.95	-3.0	-33.0
Euro/Mid East	(264)	136.88	-1.5	-3.4			
Czech Rep	(7)	84.03	-3.2	+6.7	57.30	-3.2	+7.7
Greece	(54)	253.80	+1.7	+5.1	409.80	+1.4	+5.9
Hungary[11]	(12)	177.04	+1.8	+79.9	331.36	+1.6	+104.8
Jordan	(7)	162.46	-0.6	-1.2	272.61	-0.6	-1.1
Poland[12]	(30)	689.37	-0.3	+64.0	1,239.19	-0.6	+87.2
Portugal	(28)	135.56	+0.2	+17.1	142.85	+0.1	+20.2
South Africa[13]	(63)	219.67	-1.5	-14.9	212.61	-0.1	+9.5
Turkey[14]	(58)	143.82	-5.0	+37.8	6,552.92	-3.9	+119.2
Zimbabwe[15]	(5)	445.91	+0.9	+62.3	694.74	+0.4	+84.3
Composite	(1225)	291.12	-1.1	+5.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1993; (6)Jan 4 1991; (7)Mar 6 1992; (8)Sep 28 1992; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16)July 2 1993.

Share prices in Karachi rose strongly yesterday, the first trading day after the fall of Ms Benazir Bhutto, the prime minister, and her government on Tuesday, *writes Farhan Bokhari*.

The KSE-100 index rose 78.63, or 5.5 per cent, to 1,577.40, with short covering said to have played a large part in the rise.

Many analysts said that the appointment of an interim government to oversee elections in about three months' time was expected to introduce a measure of much-needed stability to the country.

More immediately, reports of the appointment of Mr Shahid Javed Burki, a senior World Bank official, to serve as the adviser on finance to the new interim government also fuelled the market. Mr Burki was expected to push for cuts in government spending to reduce the federal budget deficit, regarded as crucial to a new loan agreement with the IMF.

Many uncertainties remained over the future of the Pakistani economy and market sentiment. The interim government would, for example, need to assure the IMF that any agreement signed during its short tenure would be acceptable to its successor.

Analysts said that political trends would be monitored carefully during the next three months on concerns that another coalition government, similar to the one which ruled Pakistan over the past three years, would hurt sentiment. "A strong mandate is going to be necessary for the new government for investors to know that there would not be political turmoil yet again down the road," said one banker in Karachi.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY NOVEMBER 5 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 4 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (78)	212.95	0.1	181.74	153.45	167.85	179.82	0.0	4.25	212.74	181.51	153.02	167.36	179.76	215.14	179.98	183.54
Austria (24)	181.79	0.1	163.76	131.05	143.35	143.27	0.3	1.96	181.68	163.55	130.86	142.93	142.84	195.04	168.35	172.41
Belgium (27)	220.75	-0.1	198.65	156.14	174.07	170.23	0.3	3.82	220.97	198.63	158.67	173.76	169.73	221.90	193.77	194.40
Brazil (28)	184.65	0.6	166.33	131.12	145.60	349.26	0.6	1.75	183.21	164.83	131.76	144.13	346.53	186.70	123.97	138.82
Canada (116)	185.05	1.2	167.24	133.84	146.40	179.34	1.1	2.00	183.46	165.16	131.98	144.53	177.46	185.68	145.76	144.35
Denmark (30)	330.58	0.5	298.09	236.44	260.92	262.23	0.7	1.75	329.35	296.35	236.91	259.00	260.30	336.30	291.31	291.73
Finland (24)	217.09	0.2	195.54	156.49	171.15	207.70	0.8	2.42	216.67	195.05	155.84	170.45	206.49	229.86	171.73	228.08
France (93)	205.83	1.7	185.15	146.17	162.07	166.25	1.8	3.34	202.17	182.00	145.42	159.08	162.33	206.95	167.70	178.88
Germany (58)	161.32	0.4	145.31	114.67	126.42	126.98	0.6	1.73	160.67	162.64	129.95	142.13	142.13	161.85	144.06	[illegible]
Hong Kong (59)	466.62	-0.3	420.52	336.54	368.12	463.44	-0.3	3.31	468.04	421.34	336.65	368.20	464.54	470.99	364.87	377.66
Indonesia (27)	210.99	1.1	190.06	152.11	166.38	301.62	1.2	1.97	208.68	187.77	150.03	164.09	298.14	[illegible]	[illegible]	[illegible]
Ireland (16)	317.26	-0.2	285.79	226.72	250.18	271.66	0.0	3.31	317.98	286.25	228.72	250.15	271.70	317.98	246.63	246.63
Italy (58)	77.87	3.0	70.24	56.21	61.48	88.81	3.2	2.34	75.68	68.13	54.44	59.54	86.90	84.33	67.22	71.81
Japan (480)	137.99	-0.5	124.34	98.27	108.38	99.87	-0.2	0.77	138.69	124.88	99.82	109.22	99.85	164.98	137.57	140.09
Malaysia (107)	577.71	0.1	520.41	416.46	455.56	561.97	0.0	1.77	577.42	519.81	415.38	454.28	561.59	587.74	425.77	448.03
Mexico (27)	1185.91	1.7	1068.28	854.95	935.17	10224.47	1.2	1.39	1165.52	1050.13	839.09	917.89	10110.69	1365.84	791.39	901.63
Netherland (19)	307.61	0.2	277.28	221.91	242.73	238.00	0.5	3.07	307.16	276.54	220.99	241.66	237.63	314.85	252.71	254.73
New Zealand (15)	91.25	0.1	82.20	65.73	71.95	88.17	-0.2	4.02	91.17	82.07	65.58	71.72	88.31	94.35	75.84	81.08
Norway (35)	268.38	0.4	242.66	194.20	212.43	230.05	0.6	2.16	268.25	241.46	192.95	211.03	231.46	288.38	222.24	227.27
Philippines (22)	189.15	0.3	170.38	136.37	149.16	247.49	0.2	0.64	188.58	169.76	135.64	148.35	246.97	[illegible]	[illegible]	[illegible]
Singapore (45)	380.69	0.2	342.93	274.45	300.20	247.03	0.3	1.68	379.78	341.89	273.17	298.77	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (44)	331.43	-0.4	298.60	238.37	261.35	340.72	-0.6	2.35	332.87	300.25	239.80	262.23	342.65	437.75	314.20	322.79
Spain (37)	189.09	1.2	170.34	136.32	149.11	182.57	1.3	3.27	186.88	168.21	134.40	147.00	180.45	190.00	147.46	147.67
Sweden (48)	393.73	0.1	354.68	283.85	310.48	386.48	0.8	2.22	393.31	354.10	282.88	309.35	383.63	400.14	294.19	311.49
Switzerland (37)	242.54	0.3	218.48	174.86	191.26	191.83	0.3	1.54	241.82	217.72	173.96	190.26	190.17	264.34	219.28	225.37
Thailand (45)	114.02	0.2	102.71	82.20	89.91	112.88	0.3	3.04	113.73	102.38	81.81	89.47	112.52	183.85	112.17	155.34
United Kingdom (213)	260.21	-0.3	234.41	187.59	205.20	234.41	-0.2	4.09	260.96	234.92	187.70	205.29	234.92	262.70	[illegible]	[illegible]
USA (624)	290.60	1.1	261.77	209.50	229.15	290.60	1.1	2.05	287.51	258.82	206.80	226.18	287.51	290.60	240.11	241.78
Americas (795)	266.15	1.1	239.75	191.68	209.88	223.64	1.1	2.04	263.90	237.03	189.39	207.14	221.27	266.15	218.79	220.32
Europe (719)	224.75	0.4	202.46	162.03	177.22	192.07	0.6	3.00	223.85	201.52	161.01	176.10	190.94	225.29	193.02	194.20
Nordic (137)	335.68	0.5	302.39	242.00	264.71	298.58	0.8	2.17	334.05	300.72	240.27	262.79	296.33	336.87	261.13	281.42
Pacific Basin (878)	154.04	-0.4	138.78	111.03	121.47	112.07	-0.2	1.25	154.62	139.19	111.21	121.64	112.50	177.01	150.59	150.87
Euro-Pacific (1595)	183.39	0.0	165.20	132.21	144.62	142.23	0.2	2.15	183.35	165.05	131.89	144.24	141.94	190.67	166.34	168.63
North America (740)	264.37	1.1	238.18	206.01	224.24	250.31	1.1	2.05	261.46	235.38	188.07	205.69	248.22	264.37	[illegible]	[illegible]
Europe Ex. UK (506)	200.88	0.8	180.96	144.82	158.41	166.72	1.1	2.40	199.27	179.39	143.33	156.77	164.96	204.37	174.34	[illegible]
Pacific Ex. Japan (398)	297.41	0.0	267.91	214.41	234.52	257.15	0.0	2.93	297.44	267.76	213.94	233.99	257.23	259.79	243.59	252.48
World Ex. US (1810)	185.60	0.1	167.19	133.80	146.35	147.50	0.3	2.13	185.45	166.95	133.39	145.89	147.13	191.55	169.30	169.68
World Ex. UK (2221)	214.55	0.6	193.27	154.88	169.19	169.80	0.8	1.95	213.27	191.99	153.40	167.78	168.72	216.41	186.58	188.92
World Ex. Japan (1954)	261.20	0.8	235.29	188.30	205.97	245.55	0.8	2.42	259.23	233.37	186.46	203.94	243.57	261.20	219.88	220.70
The World Index (2434)	218.46	0.5	196.81	157.51	172.28	186.82	0.6	2.10	217.36	195.67	156.34	171.00	187.49	220.11	191.70	191.91

Siemens off 9% as bourses climb

EUROPE

Bourses celebrated political equilibrium in the US, but there were shocks closer to home as the heavily weighted Siemens dropped 9 per cent. It was a measure of the strength elsewhere in **FRANKFURT** that the Dax index closed 19.12 higher at an Ibis-indicated 2,735.28.

Siemens, previously, had expected some years of double-digit growth. It delivered on-target earnings and a dividend rise for the year to September, but blamed weakness in semiconductors and restructuring costs in medical technology for the news that it was ex-growth in the current year.

The shares careered lower, losing DM7.17 in the end at DM72.80, after talk of a number of broker downgrades and share price targets in the DM65 to DM70 range.

Turnover climbed again, from DM8.5bn to DM11.9bn. There was a suggestion that the Siemens selling, which drove volume in the shares up from 2.5m on the session to around 9m after hours, created a gap which was plugged with buying of other German blue chips.

Hoechst, for example, rose DM2.53, or 4.3 per cent, to DM60.87 on third-quarter results which could have been better, according to Ms Barbara Altmann at B Metzler in Frankfurt.

Another big mover was SAP prefs, up DM10.70, or 5.4 per cent, to DM208.20 for a gain of 10 per cent this week. However, Mr Hans-Peter Wodniok, at Crédit Lyonnais in Frankfurt, noted that the software group was still paying the price for disappointing the market some two weeks ago. Just before that, the shares had peaked at DM282.50.

MILAN climbed 2 per cent as the recovery in Fiat and its group companies continued and on comments by the Italian treasury minister, who said that EU forecasts on the Italian economy confirmed that the country would be in shape to join a single currency at the outset. The Comit index rose 12.41 to 626.71.

Fiat jumped L213 to L4,460, taking its two-day rise to 12.3 per cent. One analyst suggested that the stock was benefiting from the successful flotation of New Holland, its farm and construction equipment subsidiary, which raised $1bn for Fiat last week.

He noted switching from defensive utilities, speculation about a restructuring in the car group's chemicals operations and hopes that the government might respond favourably to Fiat's overtures for incentives to scrap older vehicles.

FTSE Actuaries Share Indices

Nov 6							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1777.51	1779.75	1779.69	1780.84	1780.73	1778.36	1778.17	1778.58
FTSE Eurotrack 200	1832.58	1832.74	1834.41	1832.61	1831.57	1825.96	1826.93	1828.36

	Nov 5	Nov 4	Nov 1	Oct 31	Oct 30
FTSE Eurotrack 100	1759.99	1747.59	1748.24	1747.44	1754.97
FTSE Eurotrack 200	1816.49	1808.44	1810.61	1808.78	1811.05

Base value 1000 (26/10/90) High/day: 100 - 1782.36; 200 - 1836.23 Low/day: 100 - 1774.52 200 - 1824.34. † Partial.

The Agnelli family holding companies were also sharply higher. IFI rose L1,204 to L14,298 and IFIL was L164 higher at L4,218.

PARIS shared in the US re-election rally, supported by strong domestic stories. At the close, the CAC 40 was up 26.05 at 2,213.37.

Michelin racked up a 12 per cent gain in third-quarter sales and the tyre giant's shares jumped FFr8.50 to FFr260 in heavy volume of 1.8m shares.

Bancaire led a good rally in financial stocks, gaining FFr18 to FFr536.

LVMH also moved ahead strongly, as an upturn in the luxury goods sector appeared to reflect broker buy notes from HSBC James Capel and Goldman Sachs.

HSBC warmed to LVMH's planned FFr12.6bn purchase of the duty free shopping leader DFS. Goldman initiated coverage of the stock with an outperform rating and the shares added FFr48 to FFr1,260.

Cap Gemini, the software group, came off FFr3.90 to FFr242.10 after a large block of shares passed through the market at FFr234.

AMSTERDAM made the best of a bad job, moving modestly higher in the face of sharp downturns by a number of heavyweights.

KLM gave up all and more of Tuesday's gains as analysts took a more considered view of the airline's plans for a radical restructuring. At least one broker turned seller as the shares dropped Fl 2.10, or almost 5 per cent, to Fl 41.70.

A downbeat results statement dented Akzo Nobel, down Fl 2.30 to Fl 215.30 in spite of the launch of a new and much vaunted anti-depressant drug Remeron.

Results jitters also caught up with Unilever ahead of the food and detergent giant's third-quarter numbers due out tomorrow. The shares dipped 96 cents to Fl 258.70.

However, there was enough underpinning to leave the AEX index in positive territory. It closed up 3.40 at 589.43.

ZURICH continued to benefit from weakening in the franc against the dollar and other European currencies. The SMI index finished 30.6 higher at 3,815.4.

Among the pharmaceuticals, Ciba jumped SFr27 to SFr1,604 and Sandoz was SFr21 higher at SFr1,510, but Roche certificates, which had outperformed the sector in recent sessions, managed an advance of only SFr10 to SFr9,760.

Winterthur fell SFr3 to SFr758 as the insurer defended its capitalisation policy and profit growth after Moody's, the US credit ratings agency, put the company under review for a possible downgrade.

Among mid-cap stocks to benefit from the stronger dollar, SMH, the watch maker, rose SFr17 to SFr819 and Bobst, the machinery manufacturer, was SFr50 higher at SFr1,670.

MOSCOW moved higher although many foreign investors were said to be awaiting more news about President Boris Yeltsin's health before committing fresh funds. The Moscow Times index rose 2.35 to 330.27.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Tokyo ahead, Bangkok jumps by 2.6%

ASIA PACIFIC

Relief that Mr Bill Clinton's re-election as US president coincided with the Republicans' retention of control in Congress took the Nikkei average up 1.9 per cent to a close just below the 21,000 level, *agencies write*.

Traders also noted that the recently all-powerful domestic bond market had fallen back, encouraging funds into equities. The 225 index closed 399.19 higher at 20,991.52, after trading between 20,644.94 and 21,095.38.

Meanwhile, the lack of change in the US political balance eased fears of dollar falls – the US currency rose above Y114.40 in afternoon trade, pushing up shares in Japanese exporters.

Turnover was 317m shares, up from 203m. The Topix index of all first-section stocks rose 19.37, or 1.25 per cent, to 1,573.17 and the Nikkei 300 average by 3.79 to 295.05. Gainers led losers by 934 to 173 with 131 unchanged.

In London, the ISE/Nikkei 50 index rose 2.88 to 1,436.29.

Analysts said that the market would now turn its attention to the announcement of a new cabinet by the Japanese prime minister Mr Ryutaro Hashimoto, which was expected to follow his formal re-election by a special parliamentary session today.

Meanwhile, the yen's easing helped carmakers, where Honda rose Y80 to Y2,770 and Toyota by Y50 to Y2,780. In electricals, Sony Corp put on Y90 at Y6,860. Steelmakers gained on hopes that the sector would benefit from a redirection of funds from the bond market, Kawasaki ending Y6 better at Y347.

Contrasts in the entertainment business took in a gain of Y310, or 7.5 per cent, to Y4,450 for Sony Music after a stance upgrade by Nomura. In Osaka there was a fall of Y150 to Y7,550 for Nintendo as the OSE average rose 262.21, or 1.2 per cent, to 21,526.28.

Professionals noted that Sony Music was a candidate for bottom fishing after its fall from a May 1 high of Y5,780. Nintendo's fall followed a 53 per cent drop in first-half profits.

BANGKOK rose 2.6 per cent on heavy foreign buying, the SET index adding 24.26 at 948.27.

The finance sector was the most active, bolstered partly by easing concern about non-performing loans. Finance One was heavily traded, rising Bt6 to Bt66.

SEOUL rebounded 1.9 per cent on a mixture of bargain hunting and hopes that the government would introduce measures to support the bourse. The composite index, under pressure in recent sessions over worries of a scrip oversupply this month, picked up from Tuesday's three-year low to close 13.59 higher at 747.24.

Analysts noted that the market was supported by news that the Korea Securities Financing Corp would give brokerages Won200bn for additional margin loans. Reports that the finance ministry was considering raising the Korea Fund's capital to $580m in the first quarter in 1997 also helped.

HONG KONG climbed on the US election result, the Hang Seng index ending 272.77 up at an all-time high of 12,775.47. Turnover surged to HK$10.3bn.

HSBC Holdings jumped HK$4.50 to HK$163 and Hang Seng Bank advanced HK$3.50 to HK$94.

MANILA moved ahead for the sixth consecutive session, the composite index adding 11.25 at 2,998.43. Reports of lower than expected October inflation helped sentiment.

SYDNEY's half-point interest rate cut left the All Ordinaries index off 1.0 at 2,360.6.

Banks were mixed with ANZ off three cents at A$7.45, but The Commonwealth was four cents better at A$11.84.

DHAKA pulled back 6.4 per cent following its recent dizzying rally after the exchange said that it was halving the ceiling on daily price changes to 5 per cent. The DSE index fell 233.20 to 3,415.54 as the exchange said that it was seeking new premises when surveyors warned that the existing cracked trading area could collapse at any time.

SHANGHAI saw heavy selling by foreign investors who had given up hope of market-boosting measures by the government in the short term. The hard currency B index fell 0.483 at a record low of 46.652.